

## SECTION A1

### WAIVERS AND EXEMPTIONS — LATEST VERSION

In preparation for the Listing and on-going compliance with the requirements under the latest Hong Kong Listing Rules, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Hong Kong Listing Rules, the SFO and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and have applied for a ruling under the Takeovers Codes:

<b>Rules</b>	<b>Subject matter</b>
Rule 2.07A of the Hong Kong Listing Rules	Printed Corporate Communications
Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements Relating to the Accountants' Reports
Rule 9.09(b) of the Hong Kong Listing Rules	Dealings in Shares prior to Listing
Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules	Printed Prospectuses
Rule 13.25B of the Hong Kong Listing Rules	Monthly Return
Rule 13.46(2)(b) of the Hong Kong Listing Rules	Laying Annual Financial Statements Before Members at an Annual General Meeting Within Six Months After the End of Financial Year
Rules 19C.07(3) and 19C.07(7) of the Hong Kong Listing Rules	Shareholder Protection Requirements
Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and Paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures
Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and Paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to Us
Guidance Letter HKEX-GL37-12	Timing Requirement of Liquidity Disclosure

<b>Rules</b>	<b>Subject matter</b>
Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Hong Kong Listing Rules	Disclosure of Interests Information
Paragraph 15(2)(c) of Appendix 1A to the Hong Kong Listing Rules	Disclosure of Offer Price
Paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules	Appointment of Director to Fill a Casual Vacancy On or as an Addition to the Board
Paragraph 17 of Appendix 3 to the Hong Kong Listing Rules	Appointment, Removal and Remuneration of Auditors
Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules	Subscription for Shares by existing Shareholders
Paragraph 4.2 of Practice Note 18 to the Hong Kong Listing Rules	Clawback mechanism
Rules 4.04(2) and 4.04(a) of the Hong Kong Listing Rules	Investments after the Track Record Period
Paragraph 27 of Appendix 1A of the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements of Options
Paragraph 3(b) of Practice Note 15 of the Hong Kong Listing Rules	Rules related to spin-off listings
Rule 8A.39 of the Hong Kong Listing Rules	Disclosure of ultimate beneficial owners of Other WVR Beneficiaries
Section 4.1 of the Introduction to the Takeovers Codes	Not a public company in Hong Kong under Takeovers Code
Part XV of the SFO	Disclosure of interests under Part XV of the SFO
<b>Compliance with Appendix 3 to the Hong Kong Listing Rules</b>	<b>Subject matter</b>
Paragraphs 15, 16 and 21 of Appendix 3 to the Hong Kong Listing Rules	Super-majority Vote Threshold

## *Relevant Rule(s) Waived*

### **PRINTED CORPORATE COMMUNICATIONS**

Rule 2.07A of the Hong Kong Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that either the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website or the listed issuer's constitutional documents contain provision to that effect, and certain conditions are satisfied.

Our ADSs have been listed on the Nasdaq since 2005. We have a diverse shareholder base with ADS holders globally.

We do not currently produce or send out any corporate communications to our shareholders or holders of ADSs in printed form unless requested or in limited circumstances. We publicly file or furnish various corporate communications with the SEC which are posted on the SEC's website. Our annual reports on Form 20-F and current reports on Form 6-K and all amendments to these reports, are also available free of charge on our website as soon as reasonably practicable after they are filed with or furnished to the SEC. Further, we will post our proxy materials and notices to our shareholders and holders of ADSs on a publicly accessible website. Those documents will also be available on our website. In addition, the depositary bank which administers our ADS program will send a notice as well as an ADS voting instruction card to our ADS holders for annual general meetings and extraordinary general meetings.

Apart from the Hong Kong Offer Shares that we will offer for subscription by the public in Hong Kong, the International Offer Shares will be placed to professional, institutional, corporate and other investors in Hong Kong and elsewhere in the world. Given our diverse shareholder base and the potential number of countries in which our shareholders are located, we consider that it would not be practicable for us to send printed copies of all our corporate communications to all of our shareholders. Further, we consider that it would also not be practicable for us to approach our existing shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 2.07A of the Hong Kong Listing Rules on the conditions that we will:

- (a) issue all future corporate communications as required by the Hong Kong Listing Rules on our own website in English and Chinese, and on the Hong Kong Stock Exchange's website in English and Chinese;
- (b) provide printed copies of proxy materials in English to our shareholders at no costs upon request; and
- (c) ensure that the "Investor Relations" page of our website ([ir.baidu.com](http://ir.baidu.com)) will direct investors to all of our future filings with the Hong Kong Stock Exchange.

## DISCLOSURE REQUIREMENTS RELATING TO THE ACCOUNTANTS' REPORTS

Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance set out certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

- (a) balance sheet at a company level;
- (b) aging analysis of accounts receivables;
- (c) aging analysis of accounts payables; and
- (d) adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last fiscal year reported on.

In accordance with U.S. GAAP, we have applied the modified retrospective transition method or prospective transition method to account for the impact of the adoption of the new accounting standards in the Track Record Period. Under the modified retrospective method and prospective method adopted by us, comparative periods in the latest consolidated financial statements are not retrospectively adjusted.

During the Track Record Period, we adopted, among other new accounting standards that did not have a material impact on our consolidated financial statements, Accounting Standards Update 2016-02 “Leases (Topic 842)”, including certain transitional guidance and subsequent amendments (“**ASU 2016-02**”), Accounting Standards Update 2016-13 “Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, including certain transitional guidance and subsequent amendments (“**ASC 2016-13**”), and Accounting Standards Update 2019-02 “Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)” (“**ASC 2019-02**”). The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the Accountants’ Report in Appendix IA and Accountant’s Report of YY Live in Appendix IB to this document.

ASU 2016-02 was adopted on January 1, 2019 using the modified retrospective transition method by applying the new lease standard to all leases existing as of January 1, 2019, and no adjustments were made to the comparative periods. The adoption of the new lease standard does not have any significant impact on the consolidated statements of comprehensive income and cash flows and there was no adjustment to the opening balance of retained earnings on January 1, 2019.

ASU 2016-13 was adopted on January 1, 2020 using the modified retrospective method. The cumulative effect of adopting ASU 2016-13 resulted in decreasing the opening balance of retained earnings on January 1, 2020 by RMB314 million, including the allowance for credit losses for account receivable, contract assets and debt securities. For YY Live, the cumulative effect of adopting ASU2016-13 resulted in increasing the opening balance of parent company deficit on January 1, 2020 by RMB785,000.

ASU 2019-02 was adopted on January 1, 2020 using the prospective transition method. After the adoption, the Company reported cash outflows for the costs incurred to obtain rights for both produced and licensed content as operating cash outflows in the statement of cash flows. The adoption of ASU 2019-02 does not have any significant impact on the consolidated balance sheets and there was no adjustment to the opening balance of retained earnings on January 1, 2020 as the prospective transition method was used.

This document includes the following alternative disclosures:

- (a) disclosure of the accounting policy for the adoption of ASU 2016-02 which came into effect on January 1, 2019, as well as the impact of adoption, if any, in the Accountants' Report in Appendix IA and Accountant's Report of YY Live in Appendix IB to this document;
- (b) disclosure of the accounting policies for the adoption of ASU 2016-13 and ASU 2019-02 which came into effect on January 1, 2020, as well as the impact of adoption, if any, in the Accountants' Report in Appendix IA and Accountant's Report of YY Live in Appendix IB to this document; and
- (c) for the new accounting standards that came into effect during the Track Record Period, the accounting policies as well as the impact of adoption, if any, to the retained earnings of initial application (i.e. January 1, 2019 and 2020) has been disclosed in the Accountants' Report in Appendix IA and Accountant's Report of YY Live in Appendix IB to this document, in accordance with the relevant requirements under U.S. GAAP.

As this document has included the above alternative disclosures and the current disclosure in this document contains all information which is necessary for the investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group, we believe that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountants' Report in Appendix IA and Accountant's Report of YY Live in Appendix IB to this document to include certain required information pursuant to Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and that the non-disclosure of such information will not prejudice the interests of investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 12, 2021.

## DEALINGS IN SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Hong Kong Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the “**Relevant Period**”).

We had more than 200 subsidiaries and operating entities as of December 31, 2020, and our ADSs are widely held, publicly traded and listed on Nasdaq. We consider that we are therefore not in a position to control the investment decisions of our shareholders or the investing public in the US. As of the Latest Practicable Date, solely based on public filings with the SEC, other than Mr. Robin Yanhong Li, our chief executive officer, chairman of the Board and Controlling Shareholder, individually and through Handsome Reward Limited, which is wholly-owned and controlled by Mr. Robin Yanhong Li, there are no shareholders who held more than 10% of the total issued share capital of us.

Mr. Robin Yanhong Li (our chief executive officer, chairman of the Board and Controlling Shareholder) may from time to time use his Shares as security (including charges and pledges) in connection with financing activities. As of the Latest Practicable Date, none of the Shares beneficially owned by Mr. Li (both in his personal capacity and through Handsome Reward Limited) were used as security.

Furthermore, for a company whose securities are listed and traded in the U.S., we note that it is a common practice for substantial shareholders and corporate insiders, including directors, executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Exchange Act (the “**Rule 10b5-1 Plans**”) to buy or sell the company’s securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount or value of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when, or whether to effect purchases or sales. Persons who trade securities pursuant to a Rule 10b5-1 Plan have an affirmative defense against insider trading allegations under U.S. securities law.

On the basis of the above, we consider that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Hong Kong Listing Rules:

- (a) Mr. Robin Yanhong Li, our chief executive officer, chairman of the Board and Controlling Shareholder, in respect of (i) use of his Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) the respective dealings by Mr. Li and his close associates pursuant to Rule 10b5-1 Plan that they have set up prior to the Relevant Period (“**Category 1**”);

- (b) our directors other than Mr. Robin Yanhong Li, and the directors and chief executives of our Significant Subsidiaries, in respect of (i) their respective use of the Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) their respective dealings pursuant to Rule 10b5-1 Plans that they have set up prior to the Relevant Period (“**Category 2**”);
- (c) directors, chief executives and substantial shareholders of our non-Significant Subsidiaries and their close associates (“**Category 3**”); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become our substantial shareholder and who is not our director or chief executive, or a director or chief executive of our subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt:

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Hong Kong Listing Rules; and
- (b) persons in Category 1 and Category 2 who use their respective Shares other than as described in this section headed “Dealings in Shares prior to Listing” are subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Hong Kong Listing Rules to be granted on the following conditions:

- (a) Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in the Company’s ADSs after the plans have been entered into. Where Categories 1 and 2 of the Permitted Persons use the Shares as security, there will be no change in the beneficial ownership of the Shares during the Relevant Period;
- (b) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of our Company given that such persons are not in a position with access to information that is considered material to our Company taken as a whole. Given the large number of our subsidiaries and our vast ADS holder base, our Company and our management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in our ADSs;

- (c) we will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which we are aware;
- (d) we will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of our core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (e) prior to the Listing Date, other than within the permitted scopes set out above, our directors and chief executive and the directors and chief executives of our Significant Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

## **PRINTED PROSPECTUS**

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules, we are required to make available copies of the Prospectus in printed form.

The waiver from the requirements to make available printed copies of the Prospectus is in line with recent amendments to the Hong Kong Listing Rules relating to paperless listing and environmental, social and governance (“ESG”) matters. As the Hong Kong Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters “*echo the increasing international focus on climate change and its impact on business.*” Electronic, *in lieu of* printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. It is further noted that the Hong Kong Stock Exchange recently published its Consultation Conclusions on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display in December 2020.

It is noted that in light of the severity of the ongoing COVID-19 pandemic, the provision of printed prospectuses and printed application forms will elevate the risk of contagion of the virus through printed materials. As of the Latest Practicable Date, the government of Hong Kong continued to have in place social distancing measures to restrict public gatherings. While the government of Hong Kong may relax such restrictions as the local COVID-19 situation improves, it is possible that stricter social distancing measures may be necessary later if the number of cases of infection in the territory dramatically increases. In any event, it is impossible to accurately predict the development of the COVID-19 pandemic as of the Latest Practicable Date. In this uncertain environment, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.



We propose to adopt a fully electronic application process for the Hong Kong Public Offering and will not provide printed copies of the Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. We also anticipate that our share registrar appointed in connection with the Listing and the Hong Kong Public Offering will implement enhanced measures to support White Form eIPO Service, including increasing its server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process.

We also expect to publish the formal notice with respect to our Hong Kong Public Offering on the official websites of the Hong Kong Stock Exchange and our Company and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription and the enhanced support provided by our appointed Hong Kong Share Registrar in relation to the Hong Kong Public Offering and reminding investors that no printed prospectus or application form will be provided. We will also issue a press release to highlight the available electronic channels for share subscription.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules in respect of providing copies of the Prospectus in printed form.

## **MONTHLY RETURN**

Rule 13.25B of the Hong Kong Listing Rules requires a listed issuer to publish a monthly return in relation to movements in our equity securities, debt securities and any other securitized instruments, as applicable, during the period to which the monthly return relates.

Under the Joint Policy Statement, this common waiver is subject to the condition that the issuer can meet one of the following three conditions:

- (a) it has received a relevant partial exemption from Part XV of the SFO; or
- (b) it publishes a "next day disclosure return" in strict compliance with Rule 13.25A of the Hong Kong Listing Rules, regardless of the waiver of general effect from this Rule for secondary listed issuers; or
- (c) it is subject to overseas laws or regulations that have a similar effect to Rule 13.25B of the Hong Kong Listing Rules and any differences are not material to shareholder protection.

We have obtained a relevant partial exemption from strict compliance with Part XV of the SFO. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the continuing obligations under Rule 13.25B of the Hong Kong Listing Rules. We will disclose information about share repurchases, if material, in our quarterly earnings releases and annual reports on Form 20-F which are furnished or filed with the SEC in accordance with applicable U.S. rules and regulations.

## **LAYING ANNUAL FINANCIAL STATEMENTS BEFORE MEMBERS AT AN ANNUAL GENERAL MEETING WITHIN SIX MONTHS AFTER THE END OF FINANCIAL YEAR**

Rule 13.46(2)(b) of the Hong Kong Listing Rules requires an overseas issuer to lay its annual financial statements before its members at its annual general meeting within the period of six months after the end of the financial year or accounting reference period to which the annual financial statements relate.

Note 2 to Rule 13.46(2)(b) of the Hong Kong Listing Rules provides that if an issuer has significant interests outside of Hong Kong it may apply for an extension of the six-month period.

Our Company is an issuer with significant interests outside of Hong Kong. By way of illustration:

- (i) our Company was incorporated in the Cayman Islands;
- (ii) our Company is a secondary listed issuer in Hong Kong under Chapter 19C of the Listing Rules, with a primary listing on Nasdaq;
- (iii) our Company has applied for a ruling from the Securities and Futures Commission on the date hereof that our Company should not be considered a public company in Hong Kong within the meaning of Section 4.2 of the Introduction on the Codes on Takeovers and Mergers and Share Buy-backs; one of the reasons for the application is that our Company has significant interests outside of Hong Kong;
- (iv) as of December 31, 2020, our Group had more than 40,000 full-time employees based in the PRC and less than 20 full-time employees based in Hong Kong;
- (v) for the year ended December 31, 2020, more than 97% of our Group's net revenues were generated from the PRC, and as of December 31, 2020, more than 75% of our Group's total assets were based in the PRC; and
- (vi) for the year ended December 31, 2020, less than 2% of our Group's net revenues were generated from Hong Kong, and, as of December 31, 2020, less than 15% of our Group's total assets were based in Hong Kong.

Our Company is expected to be listed in March 2021 and will include in this document the audited financial information for the year ended December 31, 2020 and other financial disclosure. Upon the Listing, we will therefore have provided our shareholders with all of the information required under Rule 13.46(2)(b) of the Hong Kong Listing Rules to our shareholders. Accordingly, our shareholders would not be unfairly prejudiced by us not laying our annual financial statements for the financial year ending December 31, 2020 before our members at an annual general meeting no later than June 30, 2021, as required by Rule 13.46(2)(b) of the Hong Kong Listing Rules.

Furthermore, we have not historically held an annual general meeting every year since our listing on Nasdaq, and the procedures for convening an annual general meeting for a company with a dual listing in the U.S. and Hong Kong are burdensome and require global coordination among various parties, including, but not limited to, the ADS depository bank, Hong Kong share registrar, and Hong Kong Securities Clearing Company Limited.

Rule 5620(a) of the Nasdaq Stock Market Marketplace Rules (the “**Nasdaq Listing Rules**”) requires that each company listing common stock or voting preferred stock, and their equivalents, shall hold an annual general meeting no later than one year after the end of the company’s fiscal year-end. However, pursuant to Rule 5615(a)(3) of the Nasdaq Listing Rules, a foreign private issuer such as our Company may follow our home country practice in lieu of the Rule 5600 Series corporate governance requirements, including the requirements to hold an annual general meeting under Rule 5620(a). The term “home country” is defined under the U.S. securities laws to mean the jurisdiction in which the company is legally organized, incorporated or established.

We have, in our past practice, elected to follow home country practice pursuant to Rule 5615(a)(3) of the Nasdaq Listing Rules in lieu of the requirement under the Rule 5620(a) to hold an annual general meeting every fiscal year, and has disclosed the same in our annual report on Form 20-F pursuant to the U.S. securities laws.

Under article 35 of our articles of association, our Company shall hold an annual general meeting every year if required by the Companies Law under the Cayman Islands.

Our Cayman Islands counsel confirmed that (a) the Companies Act (as revised) of the Cayman Islands does not require our Company to follow or comply with the requirements of Rule 5620(a); (b) our Company’s non-compliance with Rule 5620(a) will not breach any law, public rule or regulation applicable to us currently in force in the Cayman Islands; (c) our memorandum and articles do not prohibit our Company from following our home country practice in lieu of the requirements of Rule 5620(a).

On the basis of the above, our Company’s not holding an annual general meeting before the end of the financial year ending December 31, 2021 does not contravene the relevant requirements under the Nasdaq Listing Rules, U.S. securities laws, laws of the Cayman Islands and our articles of association.

We have applied for, and the Hong Kong Stock Exchange has granted, a one-off waiver from strict compliance with Rule 13.46(2)(b) of the Hong Kong Listing Rules in respect of the requirement to lay our Company’s annual financial statements for the year ended December 31, 2020 before our members at an annual general meeting within six months after the financial year ended December 31, 2020, subject to the condition that we shall hold an annual general meeting for the financial year ending December 31, 2021 by June 30, 2022 and lay before our members at the annual general meeting in 2022 the financial statements for the financial year ending December 31, 2021.

## SHAREHOLDER PROTECTION REQUIREMENTS

For an overseas issuer seeking a secondary listing on the Hong Kong Stock Exchange, Rule 19.30(1)(b) of the Hong Kong Listing Rules requires the overseas issuer's primary listing is or is to be on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. Rule 19C.06 of the Hong Kong Listing Rules provides that Appendix 3 and Appendix 13 of the Hong Kong Listing Rules do not apply to an overseas issuer that is a Non-Greater China Issuer (as defined in the Hong Kong Listing Rules) or a Grandfathered Greater China Issuer seeking a secondary listing under Chapter 19C of the Hong Kong Listing Rules. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Non-Greater China Issuer or a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Hong Kong Listing Rules. We were listed on a Qualifying Exchange before December 15, 2017 and is therefore a Grandfathered Greater China Issuer under Chapter 19C of the Hong Kong Listing Rules.

### **Approval, removal and remuneration of auditors**

Rule 19C.07(3) of the Hong Kong Listing Rules requires the appointment, removal and remuneration of auditors to be approved by a majority of the Qualifying Issuer's members or other body that is independent of the issuer's board of directors (the "**Auditors Provision**").

Our Articles do not contain an equivalent Auditors Provision. Pursuant to our Articles, we may, at any general meeting appoint an auditor who shall hold office until the next annual general meeting, and may fix their remuneration. Although we may appoint auditors at annual general meetings, this function has been fulfilled by the audit committee of the Board (the "**Audit Committee**") since our listing on Nasdaq in 2005.

As a matter of Cayman Island law, our members may express their view on the appointment, removal and remuneration of auditors, by attending the general meeting and speaking, and voting where there are relevant resolutions. Our Articles also allow members holding not less than a majority of the voting rights of our issued Shares that are entitled to vote at general meetings to requisition a general meeting, in which resolutions in respect of appointment, removal and remuneration of auditors may be put forward.

The Audit Committee is an independent body of the Board on the basis of the independence requirements set out in applicable U.S. laws and Nasdaq rules. The Audit Committee comprises three members, all of whom are independent directors as required by applicable U.S. laws and applicable Nasdaq rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 19C.07(3) of the Hong Kong Listing Rules.

### **Changes to requisition of extraordinary general meetings by shareholders**

Rule 19C.07(4) of the Hong Kong Listing Rules requires a general meeting to be held each year as the Qualifying Issuer's annual general meeting. Our Company is not required to hold an annual general meeting under our Articles and the Cayman Companies Act.

Rule 19C.07(7) of the Hong Kong Listing Rules requires that members holding a minority shareholding in a Qualifying Issuer's total number of issued shares to be able to requisition an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the Qualifying Issuer, while the minimum stake as currently set out in the Articles is not less than a majority of the voting rights of our issued Shares that are entitled to vote at general meetings. Under our Articles, a quorum for a shareholders' meeting consists of one or more shareholders holding at least one third of the paid up voting share capital (being the number of issued shares in our paid up voting share capital), present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative.

We will amend the Articles after the Listing to comply with Rule 19C.07(4) and Rule 19C.07(7) of the Hong Kong Listing Rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 19C.07(4) and Rule 19C.07(7) of the Hong Kong Listing Rules, subject to the following conditions:

- (a) we will convene an extraordinary general meeting by December 31, 2021 (the “**2021 EGM**”), for which at least 14 days' notice will be given to our members, and put forth resolutions to revise the Articles, so that (sub-paragraph (i) to (iv) below, collectively the “**Proposed Resolutions**”):
  - (i) we are required to convene an annual general meeting each year;
  - (ii) we are required to provide at least 14 days' notice for any general meetings of the Company;
  - (iii) a member's right to vote is subject to the requirements under the Hong Kong Listing Rules regarding circumstances requiring a member to abstain from voting to approve a matter under consideration, and any votes in contravention of such abstention shall not be counted; and
  - (iv) the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda will be 10% of the voting rights, on a one vote per share basis, in the share capital of our Company;
- (b) we will convene general meetings at the request of our Shareholders holding in aggregate not less than 10% of our Company's voting rights, on a one vote per share basis, prior to the Proposed Resolutions being passed;
- (c) we will provide 14 days' notice for any general meetings after the Listing, prior to the Proposed Resolutions being passed;

- (d) in the event that the Proposed Resolutions are not passed at the 2021 EGM, we will convene an annual general meeting each year with at least 14 days of notice beginning from 2022 and, for so long as we remain listed on the Hong Kong Stock Exchange, to continue to put forth the Proposed Resolutions (to the extent not yet passed) at each of the annual general meetings after the 2021 EGM, until the Proposed Resolutions are passed; and
- (e) we will obtain an irrevocable undertaking prior to the Listing from Mr. Robin Yanhong Li, Handsome Reward Limited and Ms. Melissa Ma, Mr. Robin Yanhong Li's spouse, being existing shareholders with a majority vote in our Company, that they will use their voting rights to vote at the 2021 EGM in favour of the Proposed Resolutions.

Our Cayman Islands counsel has confirmed that there is no legal impediment on the adoption of the transitional arrangements to comply with the relevant requirements before the Proposed Resolutions are passed (being the arrangements set out in (b) to (d) above), and such adoption is not in breach of our Articles or any rules and regulations in the Cayman Islands.

## **PARTICULARS OF ANY COMMISSIONS, DISCOUNTS AND BROKERAGES AND ALTERATIONS OF CAPITAL AND AUTHORIZED DEBENTURES**

Paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraphs 11 and 14 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance require the listing document to include the particulars of any commissions, discounts, brokerages or other special terms granted within two years immediately preceding the issue of the listing document in connection with the issue or sale of any capital of any member of the group and the particulars of any alterations of capital within two years immediately preceding the issue of the listing document.

Paragraph 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires particulars of the authorized debentures of our Company and our subsidiaries to be disclosed in this document.

We have identified 12 entities as our Significant Subsidiaries. For further details, see the section headed "History and Corporate Structure — Corporate Structure — Significant Subsidiaries" in this document. We had more than 200 subsidiaries and operating entities as of December 31, 2020. We believe that it would be unduly burdensome for us to disclose this information in respect of all of our subsidiaries as we would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors.

The Significant Subsidiaries include all our subsidiaries that meet the financial threshold for "significant subsidiaries" under Regulation S-X in the U.S. and are representative of our business (including those that hold major assets and intellectual property rights). None of the non-Significant Subsidiaries is individually material to us in terms of the financial threshold for "significant subsidiaries" under Regulation S-X in the U.S., and none of the non-Significant Subsidiaries hold any major assets, patents, R&D or intellectual property rights as at the Latest Practicable Date.

Based on the book value of the Significant Subsidiaries, the net revenues (taking into account of major adjustments for intra-group transactions) and net income (not taking into account adjustments for intra-group transactions) of the Significant Subsidiaries accounted for 91% and 195% of our total net revenues and total net income, respectively, for the year ended December 31, 2020. Based on the book value of the Significant Subsidiaries, the total assets (not taking into account adjustments for intra-group transactions) of the Significant Subsidiaries accounted for 115% of the our total assets as at December 31, 2020. As such, we have disclosed the particulars of the changes in our share capital and the Significant Subsidiaries in the section headed “Statutory and General Information — Further Information About Us” in Appendix IV to this document, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of the Significant Subsidiaries and our Company are set out in the section headed “Statutory and General Information — Other Information — Miscellaneous” of Appendix IV to this document.

We are of the view that all material information necessary for the public to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements under paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 12, 2021.

## **DISCLOSURE OF INFORMATION ON SUBSIDIARIES WHOSE PROFITS OR ASSETS MAKE MATERIAL CONTRIBUTIONS TO US**

Paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require the listing document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by us, or whose profits or assets make, or will make, a material contribution to the figures in the accountants’ report or the next published accounts.

We believe that it would be unduly burdensome for us to procure this information for the reasons as set out in this section headed “ — Particulars of any Commissions, Discounts and Brokerages and Alteration of Capital and Authorized Debentures” above. As such, only the particulars in relation to the Significant Subsidiaries are set out in this document under the sections headed “History and Corporate Structure — Corporate Structure — Significant Subsidiaries” and “Statutory and General Information — Further Information About Us” in Appendix IV to this document, which should be sufficient for potential investors to make an informed assessment of our Company in

their investment decisions. We are of the view that all material information necessary for the public to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 12, 2021.

## **TIMING REQUIREMENT OF LIQUIDITY DISCLOSURE**

Paragraph 32 of Part A of Appendix 1 to the Hong Kong Listing Rules requires a listing document to include a statement (or an appropriate negative statement) of a new applicant's indebtedness as at a specified most recent practicable date (the "**Most Recent Practicable Date**"), and a commentary on its liquidity, financial resources and capital structure (together, the "**Liquidity Disclosure**").

In accordance with Hong Kong Stock Exchange's Guidance Letter HKEX-GL37-12 ("**GL37-12**"), the Hong Kong Stock Exchange normally expects that the Most Recent Practicable Date for the Liquidity Disclosure, including, among other things, commentary on liquidity and financial resources such as net current assets (liabilities) position and management discussion on this position, in a listing document to be dated no more than two calendar months before (a) the date of the application proof of the listing document and (b) the final date of the listing document.

As this document is expected to be published in March 2021, we would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than January 2021 pursuant to GL37-12. Given that we included in this document an accountants' report incorporating the audited consolidated financial information of our Group for the year ended December 31, 2020, it would be unduly burdensome for us to re-arrange information for similar liquidity disclosures on a consolidated basis shortly after the end of our current financial year.

Strict compliance with the Liquidity Disclosure requirements would constitute an additional one-off disclosure by us of our liquidity position on a date that would fall within the first quarter of our financial year, which would otherwise not be required to be disclosed to investors in the U.S. under applicable U.S. regulations and Nasdaq listing rules, because we are required to announce quarterly results at the end and not in the middle of each quarter of our financial year. Such a one-off disclosure would likely confuse our existing investors and deviate from our customary practice and that of other U.S. listed companies.

In any event, if there are any material changes to such disclosures, we would be required to make an announcement pursuant to U.S. regulations and Nasdaq rules and disclose relevant material facts in this document pursuant to the Hong Kong Listing Rules.



In the event that there is no material change to such disclosures, any similar disclosures made pursuant to GL37-12 would not give additional meaningful information to investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the timing requirement for the Liquidity Disclosure in this document under GL37-12, such that the reported date of indebtedness and liquidity information in this document will not exceed the requirement under GL37-12 by one calendar month (i.e. the time gap between the reported date of our indebtedness and liquidity information and the date of this document would be no more than three calendar months).

## **DISCLOSURE REQUIREMENTS OF THE REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WHOSE EMOLUMENTS WERE HIGHEST**

Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information in respect of directors' emoluments during the financial years ended December 31, 2018, 2019 and 2020. Paragraph 46(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include the aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer in respect of the last completed financial year, and Paragraph 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires information in relation to an estimate of the aggregate remuneration and benefits in kind payable to directors in respect of the current financial year to be set out in the listing document.

Paragraph 33(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information with respect to the five individuals whose emoluments were highest in the group for the year if one or more individuals whose emoluments were the highest have not been included under paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules.

The aggregate fees, salaries and benefits paid and accrued to our directors and executive officers as a group are disclosed in the section headed "Directors and Senior Management — Compensation" in this document. We confirm that the current disclosure complies with U.S. annual reporting requirements and is in line with our disclosure in our annual reports on Form 20-F.

We believe that additional disclosure required by Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules would be unduly burdensome and would not provide additional meaningful disclosure for potential Hong Kong investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

## **DISCLOSURE OF INTERESTS INFORMATION**

Part XV of the SFO imposes duties of disclosure of interests in shares. Practice Note 5 and paragraphs 41(4) and 45 of Part A of Appendix 1 to the Hong Kong Listing Rules require the disclosure of interests information in respect of shareholders' and directors' interests in this document.

The U.S. Exchange Act and the rules and regulations promulgated thereunder require disclosure of interests by shareholders that are broadly equivalent to Part XV of the SFO. Relevant disclosure in respect of the substantial shareholder's interests can be found in the section headed "Major Shareholders" in this document.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Practice Note 5 and Paragraphs 41(4) and 45 of Part A of Appendix 1 to the Hong Kong Listing Rules is to be granted on the following conditions:

- (a) the SFC granting us and our shareholders a partial exemption from strict compliance with Part XV of the SFO;
- (b) our undertaking to file with the Hong Kong Stock Exchange, as soon as practicable, any declaration of shareholding and securities transactions filed with the SEC; and
- (c) our undertaking to disclose in present and future listing documents any shareholding interests as disclosed in an SEC filing and the relationship between our directors, officers, members of committees and their relationship to any controlling shareholders.

## **DISCLOSURE OF OFFER PRICE**

Paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules provides that the issue price or offer price of each security must be disclosed in the listing document.

The Public Offer Price will be determined by reference to, among other factors, the closing price of our ADS price on Nasdaq on the last trading date on or before the price determination date and we have no control on the market price of our ADSs traded on Nasdaq. Given the ADSs of our Company are freely tradable on Nasdaq, there may be price fluctuations in the ADSs as a result of market volatility and other factors during the period from the bulk-printing of this document until the pricing of the Global Offering.

Setting a fixed price or a price range with a low end offer price per Offer Share may adversely affect the market price of the ADSs and the Hong Kong Offer Shares considering, among other factors, that this may indicate an arbitrary floor price and may potentially prejudice our ability to price in the best interest of us and our Shareholders.

A maximum Public Offer Price will be disclosed in this document and the Green Application Form. This alternative disclosure approach would not prejudice the interests of the investing public in Hong Kong.

Given in no circumstances will the Public Offer Price for the Hong Kong Offer Shares be greater than the maximum Public Offer Price as stated in this document and the Green Application Form, the disclosure of the maximum Public Offer Price in this document will be in compliance with the requirement to disclose the “amount payable on application and allotment on each share” as required by paragraph 9 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules.

## **APPOINTMENT OF DIRECTOR TO FILL A CASUAL VACANCY ON OR AS AN ADDITION TO THE BOARD**

Paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules requires that any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the first annual general meeting of the issuer after his appointment, and shall then be eligible for reelection (the “**Paragraph 4(2) of Appendix 3**”). In the note of paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules, it is provided that “in respect of Grandfathered Greater China Issuers and Non-Greater China Issuers that are permitted to have a WVR structure that does not comply with Chapter 8A of these Exchange Listing Rules, the Exchange will consider the applicability of this requirement on a case-by-case basis based on the circumstances of each individual case.”

The Company is a Grandfathered Greater China Issuer with a WVR structure that does not have to comply with certain requirements under Chapter 8A of the Hong Kong Listing Rules (“**Non-Chapter 8A Compliant WVR Structure**”) pursuant to the then Rule 19C.12 of the Hong Kong Listing Rules (repealed after December 31, 2021), such that the Company can maintain its existing WVR structure and only follow the disclosure requirements without complying with other safeguards under Chapter 8A of the Hong Kong Listing Rules. The Company was secondary listed on the Hong Kong Stock Exchange in March 2021 (the “**Listing**”), before the introduction of the core shareholder protection standards in the current Appendix 3 to the Hong Kong Listing Rules.

Article 88 (“**Article 88**”) of the Company’s Fourth Amended and Restated Memorandum of Association and Articles of Association of Association (the “**Current M&AA**”) provided that the quorum necessary for the transaction of the business of Directors (which includes the appointment of directors) unless so fixed by the Directors, shall be a majority of the then existing Directors and shall include Mr. Robin Yanhong Li (i.e. one of the Company’s WVR beneficiaries). Article 76 of the Current M&AA (“**Article 76**”) provided that the Directors, by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. These two Articles form an integral part of the Company’s existing WVR structure. Article 76 does not comply with Paragraph 4(2) of Appendix 3, as a new director appointed under Article 76 can hold office beyond the first annual general meeting of the Company after his appointment. Accordingly, the Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Paragraph 4(2) of Appendix 3 and the waiver has been granted by the Hong Kong Stock Exchange on the basis that (i) the adoption of Paragraph 4(2) of Appendix 3 would contradict the spirit of grandfathering the Non-Chapter 8A Compliant WVR Structure of the Company as a Grandfathered Greater China Issuer, and (ii) the

abovementioned mechanism as provided under Article 76 and Article 88 forms an integral part of the Company's WVR structure, which is a ground of granting the waiver as codified in Paragraph 4(2) of Appendix 3.

## **APPOINTMENT, REMOVAL AND REMUNERATION OF AUDITORS**

Paragraph 17 of Appendix 3 to the Hong Kong Listing Rules requires that the appointment, removal and remuneration of auditors must be approved by a majority of the issuer's members or other body that is independent of the board of directors. Such rule is equivalent to the then Rule 19C.07(3) of the Hong Kong Listing Rules (repealed after December 31, 2021).

At the time of Listing, the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from the strict compliance with Rule 19C.07(3) of the Hong Kong Listing Rules on the conditions that, among others, the Board has delegated the power to appoint, remove and remunerate the auditors to the Audit Committee, being an independent body of the Board on the basis of the independent requirements as set out in applicable U.S. laws and the Nasdaq rules, and which comprises three members, all of whom are independent Directors as required by the U.S. Exchange Act and applicable Nasdaq rules. Such waiver will continue to apply to the Company after paragraph 17 of Appendix 3 to the Hong Kong Listing Rules has come into effect.

## **SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS**

Rule 10.04 of the Hong Kong Listing Rules requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03 of the Hong Kong Listing Rules are fulfilled. Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules states that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to be made to directors, existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 of the Hong Kong Listing Rules are fulfilled.

We have been listed on Nasdaq since 2005 and has a wide and diverse shareholder base. Solely based on public filings with the SEC available as of the Latest Practicable Date, with the exception of Ms. Melissa Ma, the spouse of Mr. Robin Yanhong Li, we had no shareholder who was not a director and who held 5% or more of our Company's voting rights. Category 4 of the Permitted Persons (as defined in "— Dealings in Shares prior to the Listing" above) have no influence over the Global Offering and are not in possession of any non-public inside information in relation to the Listing given that such persons are not in a position with access to information that is considered material to the Company as a whole, and are effectively in the same positions as the public investors of the Company. Category 4 of the Permitted Persons and other public investors are referred to as "**Permitted Existing Shareholders**".

Considering the nature of those investors and as our Shares are publicly traded on Nasdaq, we are not in the position to prevent any person or entity from acquiring listed securities of our Company prior to the Global Offering. In addition, we will only be able to ascertain the change in the shareholding of the relevant Shareholder after we make public disclosure. It would therefore be unduly burdensome for us to seek the prior consent of the Hong Kong Stock Exchange for each of our existing shareholders or their close associates who subscribe for Shares in the Global Offering.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules in respect of the restriction on Permitted Existing Shareholders to subscribe for or purchase Shares in the Global Offering, subject to the following conditions:

- each Permitted Existing Shareholder is interested in less than 5% of our Company's voting rights before the Listing;
- each Permitted Existing Shareholder is neither a director nor a member of senior management of our Company, and is not a director of any of our Company's subsidiaries;
- other than the persons in Category 4 of the Permitted Persons, each Permitted Existing Shareholder is not a core connected person of our Company;
- the Permitted Existing Shareholders do not have the power to appoint directors of our Company or any other special rights in our Company;
- the Permitted Existing Shareholders and their close associates do not have influence over the offering process and will be treated the same as other applicants and placees in the Global Offering;
- the Permitted Existing Shareholders and their close associates will be subject to the same book-building and allocation process as other applicants and placees in the Global Offering; and
- to the best of their knowledge and belief, each of our Company, the Joint Sponsors and the Joint Representatives (based on its discussions with and the confirmations from our Company and the Joint Representatives (for itself and on behalf of the Underwriters)), confirms to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders and their close associates as a placee in the International Offering by virtue of their relationship with our Company.

Allocation to the Permitted Existing Shareholders and/or their close associates will not be disclosed in our allotment results announcement (other than to the extent that such Permitted Existing Shareholders or close associates subscribe for shares as cornerstone investors) unless such Permitted Existing Shareholders are interested in 5% or more of our issued share capital after the Global Offering as disclosed in any of their public filings with the SEC (the "**Available Information**"). It would be unduly burdensome for us to disclose such information other than the Available Information given that there is no requirement to disclose interests in equity securities under the U.S. Exchange Act unless the beneficial ownership of a person reaches 5% or more, and when there is a subsequent change of ownership of 1% or more, in our issued share capital.

## **CLAWBACK MECHANISM**

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of the Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Representatives (for itself and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (i) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 8,550,000 Offer Shares, representing 9% of the Offer Shares initially available under the Global Offering;
- (ii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 9,500,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
- (iii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 11,400,000 Offer Shares, representing 12% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives (for itself and on behalf of the Underwriters) deem appropriate. In addition, the Joint Representatives (for itself and on behalf of the Underwriters) may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives (for itself and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinator (for itself and on behalf of the Underwriters) deem appropriate.

See “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation.”

## INVESTMENTS AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules, the accountants' report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to Rule 4.02A of the Hong Kong Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

### Ordinary course Investments since December 31, 2020

During the Track Record Period, we have made minority investments in a number of companies both in China and overseas in our ordinary and usual course of business to further our strategic objectives. Since December 31, 2020 and up to the Latest Practicable Date, we have made or proposed to make minority investments in a number of companies, and we expect to continue to enter into further minority investments subsequent to the Latest Practicable Date and prior to the date of this document (collectively, the “Investments”). Details of the Investments up to the Latest Practicable Date include (other than those, the considerations of which were less than RMB20 million — being less than 0.02% of our total assets as of December 31, 2020 and revenue for the year ended December 31, 2020):

<u>Investment</u> <sup>(2)(3)</sup>	<u>Consideration</u> (approx. in RMB millions)	<u>Percentage of shareholding/ equity interest</u> <sup>(1)</sup>	<u>Principal business activities</u>
Company A	350	28%	Consulting
Company B	100	9%	Medical
Company C	80	40%	Medical
Company D	50	10%	Consulting
Company E	50	9%	Consulting
Company F	33	8%	Medical
Company G	30	5%	E-commerce
Company H	25	23%	Entertainment
Company I	22	11%	Education
Company J	20	6%	Commerce
Company K	20	8%	Medical
Company L	20	1%	Medical
Company M	20	1%	Technology

Notes:

- (1) The approximate consideration disclosed in the table represents each of the Investments. The percentage of shareholding/equity interest represents our total pro forma shareholding in each of the Investments after the completion of the relevant transaction.
- (2) None of the core connected persons at the level of our Company is a controlling shareholder of any of the Investments.
- (3) Given that we have not yet entered into legally binding agreements for certain of the above Investments as at the Latest Practicable Date, the terms and information set out above may be subject to further changes.

We confirm that the investment amounts for each of the Investments are the result of commercial arm's length negotiations, based on factors including market dynamics, a mutually agreed valuation, and/or capital need of the relevant company's operations.

***Conditions for granting the waiver and its scope in respect of the Investments***

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in respect of the Investments on the following grounds:

Ordinary and usual course of business

We make equity investments in sectors relating to our business as part of our ordinary and usual course of business. We have a history of making minority investments and have conducted a number of minority investments during the Track Record Period.

The percentage ratios of each Investment are all less than 5% by reference to the most recent fiscal year of our Company's Track Record Period

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for each of the Investments are all less than 5% by reference to the most recent fiscal year of the Track Record Period. We do not believe that the Investments are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Investments involves the acquisition of interests in a different company and (ii) the Investments were entered into, or are expected to be entered into, with different counterparties.

Accordingly, we believe that the Investments have not resulted in, and does not expect the Investments to result in, any significant changes to its financial position since December 31, 2020, and all information that is reasonably necessary for potential investors to make an informed assessment of our activities or financial position has been included in this document. As such, we consider that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

We are not able to exercise any control over the underlying company or business

We only hold and/or expect to only hold a minority equity interest in each of the Investments and does not control their boards of directors, and expects this to remain the case for any subsequent Investments. The minority rights given to us are generally commensurate to its status as a minority shareholder and are for the protection of our interests as a minority stakeholder in the Investments. These rights are neither intended, nor sufficient to compel or require the relevant companies to prepare or to disclose in this document audited financial statements for the purposes of compliance



with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules. These disclosures are also not required pursuant to applicable U.S. securities laws. It could be prejudicial and potentially harmful to our portfolio relationships and commercial interests to make such disclosures. In addition, as some portfolio companies are private, disclosing this information could harm their interests and bring them into an unfavorable competitive position. Accordingly, as we do not expect the Investments to result in any material changes to its financial position after the Track Record Period, we do not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interest of the investors.

#### Alternative disclosure of the Investments in this document

We have disclosed alternative information about the Investments in this document. Such information includes those which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that our directors consider to be material, including, for example, descriptions of the relevant companies' principal business activities, the investment amounts, and a statement as to whether the core connected persons at the level of our Company is a controlling shareholder of any of the Investments. We have however excluded disclosure on the names of companies in connection with the Investments in this document because: (i) we have entered into confidentiality agreements with these companies and do not have consent for such disclosure; and/or (ii) the transactions have not been disclosed, and are not required to be disclosed, under U.S. regulations. It is commercially sensitive to disclose the identities of the companies we have invested in or proposes to invest in as such information may enable our competitors to anticipate our investment strategy. Since the relevant percentage ratio of each Investment is less than 5% by reference to the most recent fiscal year of the Company's Track Record Period, we believe the current disclosure is adequate for potential investors to form an informed assessment of us.

## **DISCLOSURE REQUIREMENTS OF OPTIONS**

Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules requires an issuer to set out in the listing document particulars of any capital of any member of the group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further requires an issuer to set out in the Prospectus, among other things, details of the number, description and amount of any of its shares or debentures which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration given or to be given (if any) and the names and addresses of the persons to whom it was given.

We and our subsidiaries (including its consolidated affiliated entities) may, from time to time, adopt equity incentive plans, including: (a) our share incentive plan adopted in December 2008 and which expired in 2018 (the “**2008 Share Incentive Plan**”); (b) our share incentive plan adopted in July 2018 (the “**2018 Share Incentive Plan**”, and together with the 2008 Share Incentive Plan,

the “**Share Incentive Plans**”); (c) the equity incentive plan adopted in 2010 (the “**iQIYI 2010 Equity Incentive Plan**”) by iQIYI, our majority-controlled subsidiary listed on the New York Stock Exchange, and (d) the share incentive plan adopted in 2017 by iQIYI (the “**iQIYI 2017 Share Incentive Plan**” and, together with the “**iQIYI 2010 Equity Incentive Plan**”, the “**iQIYI Incentive Plans**”). These equity incentive plans are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules. The equity incentive plans allow us, iQIYI and our subsidiaries to grant awards (including options) to employees, directors and consultants. The waiver and exemption therefore only relates to the options that are granted under the Share Incentive Plans and the iQIYI Incentive Plans.

As of December 31, 2020, the outstanding options pursuant to the Share Incentive Plans only accounted for approximately 0.9% of our total issued and outstanding shares. Assuming full exercise of these outstanding options, the shareholding of our Shareholders will be diluted by approximately 0.9%, based on the outstanding shares of our Company in issue as of December 31, 2020.

As of December 31, 2020, the outstanding options pursuant to the iQIYI Incentive Plans only accounted for approximately 7.7% of iQIYI’s total issued and outstanding shares. Assuming full exercise of these outstanding options, the shareholding of iQIYI’s Shareholders will be diluted by approximately 7.1%, based on the outstanding shares of iQIYI in issue as of December 31, 2020.

Details of the Share Incentive Plans are disclosed in the section headed “**Directors and Senior Management — Compensation — Share Incentive Plans**” and details of the iQIYI Incentive Plans are disclosed in “**Statutory and General Information — Further Information About us — Share incentive plans of iQIYI**” in Appendix IV to this document. The disclosure is substantially the same as those in our and iQIYI’s 20-F filings and comply with applicable U.S. laws and regulations, and certain details of the options as required under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are not required to be and have not been disclosed in our Company’s and iQIYI’s previous regulatory filings. In addition, the Share Incentive Plans and iQIYI Incentive Plans are not subject to Chapter 17 of the Hong Kong Listing Rules as it is not applicable pursuant to Rule 19C.11 of the Hong Kong Listing Rules, and the SFC has granted a partial exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO).

For the above reasons, the current disclosure in this document relating to the Share Incentive Plans and the iQIYI Incentive Plans is not in strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules, and the current disclosure in this document relating to the Share Incentive Plans is not in strict compliance with the requirements under Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

For the reasons stated above, we believe that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for us, and would not be material or meaningful to Hong Kong investors.

We are of the view that all material information necessary for the public to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group has been disclosed in this document, and as such the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules in relation to the Share Incentive Plans and the iQIYI Incentive Plans. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the Share Incentive Plans, to the extent not strictly met by the current disclosure in this document, on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 12, 2021.

## **RULES RELATING TO SPIN-OFF LISTINGS**

Rule 19C.11 of the Hong Kong Listing Rules provides that, among other things, paragraphs 1 to 3(b) and 3(d) to 5 of Practice Note 15 of the Hong Kong Listing Rules do not apply to a Qualifying Issuer that has, or is seeking, a secondary listing on the Hong Kong Stock Exchange. Such exception limited to circumstances where the spun-off assets or businesses are not to be listed on the Hong Kong Stock Exchange's markets and the approval of shareholders of the issuer is not required.

Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the issuer, given the original listing of the issuer will have been approved on the basis of the issuer's portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the issuer would continue to develop those businesses.

While we do not have any specific plans with respect to the timing or details of any potential spin-off listing on the Hong Kong Stock Exchange as at the date of this document, in light of our Group's overall business scale, we may consider spinning off one or more of its mature business units through a listing on the Hong Kong Stock Exchange (each a "**Potential Spin-off**") within three years after the Listing, if there are clear commercial benefits both to us and the businesses to be potentially spun-off and there will be no adverse impact on the interests of our shareholders. As of the Latest Practicable Date, we have not identified any target for a potential spin-off; as a result, we do not have any information relating to the identity of any spin-off target or any other details of any spin off and accordingly, there is no material omission of any information relating to any possible spin-off in this document. We cannot assure that any spin-off will ultimately be consummated, whether within the three-year period after the Listing or otherwise, and any such spin-off will be subject to market conditions at the relevant time and approval by the Listing Committee of the Hong Kong Stock Exchange. In the event that we proceed with a spin-off, our interest in the entity to be spun off (and its corresponding contribution to the financial results of our Group) will be reduced accordingly.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements in paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules, on the following grounds:

- (i) no shareholders' approval with respect to a Potential Spin-off will be required under the Articles under applicable U.S. regulations and Nasdaq listing rules. Further, as we are a Grandfathered Greater China Issuer and therefore exempt from the requirements under Chapter 14 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules, no shareholders' approval will be required under the Hong Kong Listing Rules as well;
- (ii) the effect of a spin-off to our shareholders should be the same regardless of whether or not the businesses to be potentially spun-off are to be listed on the Hong Kong Stock Exchange (save with respect to any preferential rights to subscribe for shares that are commonly provided in spin-offs on the Hong Kong Stock Exchange). Given the fact that certain spin-offs by Grandfathered Greater China Issuers are allowed within three years after their listing in Hong Kong pursuant to Rule 19C.11 of the Hong Kong Listing Rules, we believe that the three-year restriction on spin-offs on the Hong Kong Stock Exchange should also be waived and shall not apply to a Potential Spin-off by our Company;
- (iii) in any event, our Company and any subsidiary in respect of which a Potential Spin-off is contemplated will be subject to compliance with all other applicable requirements under the Hong Kong Listing Rules, including the remaining requirements of Practice Note 15 and (in the case of the company to be spun-off) the listing eligibility requirements of Chapter 8, 8A or 19C of the Hong Kong Listing Rules (as the case may be), unless otherwise waived by the Hong Kong Stock Exchange;
- (iv) under U.S. securities laws and Nasdaq rules, we are not subject to any restrictions similar to the three-year restriction under paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules in relation to the spin-offs of our businesses, nor is there any requirement for us to disclose any details of its potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan; and
- (v) the directors owe fiduciary duties to our Company, including the duty to act in what they consider in good faith to be in our best interests; as such they will only pursue a potential spin-off if there are clear commercial benefits both to us and the entity or entities to be spun off; and the directors will not direct our Company to conduct any spin-off if they believe it will have an adverse impact on the interests of our shareholders.

The waiver was granted by the Hong Kong Stock Exchange on the following conditions:

- (i) prior to any spin-off of our business through a listing on the Hong Kong Stock Exchange within three years after the Listing, we will confirm to the Hong Kong Stock Exchange with basis that the spin-off would not render us, excluding the business to be spun off, incapable of fulfilling either the eligibility or suitability requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules based on the financial information of the entity to be spun-off at the time of our listing (calculated accumulatively where more than one entity is to be spun-off);

- (ii) we will disclose in this document our intention relating to any potential spin-off within three years after the Listing and the risks relating to the uncertainty and timing of any potential spin-offs (see section headed “Risk Factors — Risks Related to Our Shares, ADSs and the Listing — We are exposed to risks associated with the potential spin-off of one or more of our businesses” in this document);
- (iii) any potential spin-offs by our Company will be subject to the requirements of Practice Note 15 to the Hong Kong Listing Rules (other than paragraph 3(b) thereof), including that each of our Company and our businesses to be spun off will satisfy the applicable listing eligibility requirements on a standalone basis; and
- (iv) disclosure of this waiver in this document.

## **DISCLOSURE OF ULTIMATE BENEFICIAL OWNER OF OTHER WVR BENEFICIARY**

Rule 8A.39 of the Hong Kong Listing Rules provides that an issuer with a WVR structure must identify the beneficiaries of weighted voting rights in its listing documents and in its interim and annual reports.

Immediately upon completion of the Global Offering, the WVR beneficiaries will be Mr. Robin Yanhong Li, the chairman and chief executive officer of the Company; Ms. Melissa Ma, the spouse of Mr. Li, and Shimoda Holdings, LLC and Integrity Partners V, LLC, which are affiliated with early stage investors of our Company that invested in our Company before its US IPO in 2005. Details of the WVR beneficiaries are disclosed in “Share Capital — WVR Beneficiaries” in this document.

To our best knowledge Shimoda Holdings, LLC and Integrity Partners V, LLC (together the “**Other WVR Beneficiaries**”) and their respective ultimate beneficial owners are independent third parties of our Company and are not core connected persons of our Company, and the ultimate beneficial owners of the Other WVR Beneficiaries do not have a role in our business and operations.

The disclosure in this document does not include information on the ultimate beneficial owners of the Other WVR Beneficiaries. We applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements in Rule 8A.39 in relation to this document and our future interim and annual reports on the following grounds:

- (i) **Voting rights controlled by the Other WVR Beneficiaries are immaterial.** Immediately upon the completion of the Global Offering, the Other WVR Beneficiaries will control in aggregate approximately 0.6% of our voting rights. We undertake that we will not issue additional Class B ordinary shares to the Other WVR Beneficiaries in the future.
- (ii) **No consent to disclosure has been obtained.** As of the Latest Practicable Date, no consent for disclosure of ultimate beneficial ownership has been received from the Other WVR Beneficiaries.

- (iii) **Risk of breach of the Data Protection Act (As Revised) of the Cayman Islands.** Our adviser as to Cayman Islands law has advised us that there is a risk that disclosure of the ultimate beneficial owners of the Other WVR Beneficiaries without their consent would be in breach of the Data Protection Act (As Revised) of the Cayman Islands, the breach of which may lead to remedial action by the relevant Cayman Islands regulator (the Ombudsman), the imposition of penalties, and criminal sanctions.
- (iv) **Other WVR Beneficiaries are affiliated with early stage investors of the Company.** These early stage investors invested in our Company before its initial public offering on Nasdaq in 2005, which dates back to more than a decade ago.
- (v) **No specific disclosure of ultimate beneficial owner in US filings.** We are an issuer seeking a secondary listing as a Grandfathered Greater China Issuer pursuant to Chapter 19C of the Hong Kong Listing Rules. We have had a long history of listing on Nasdaq, and we have consistently disclosed details of our major shareholders (being holders known to own beneficially more than 5% of our total outstanding shares) pursuant to applicable US laws and Nasdaq rules. The prospectus relating to our initial public offering on Nasdaq in 2005 and our subsequent 20-Fs did not explicitly name the ultimate beneficial owners of the Other WVR Beneficiaries.
- (vi) **Interests of investing public not prejudiced.** The exclusion of the ultimate beneficial owners of the Other WVR Beneficiaries from this document, especially given their immaterial shareholding, would not prejudice the interests of the investing public. This document currently contains, and the Company expects to include in its future interim and annual reports, alternative disclosure relating to the Other WVR Beneficiaries, including their names, their shareholding, that they are affiliated with early stage investors of the Company that invested in the Company before its US IPO in 2005, and that they and their respective ultimate beneficial owners are an independent third party of and not a core connected person of the Company and the ultimate beneficial owners of the Other WVR Beneficiaries do not have a role in the Company's business and operations to the best knowledge of the Company.

For the reasons stated above, we believe that strict compliance with the requirements of Rule 8A.39 of the Hong Kong Listing Rules would be inappropriate and not in the best interests of the Company.

## **NOT A PUBLIC COMPANY IN HONG KONG UNDER THE TAKEOVERS CODE**

Section 4.1 of the Introduction to Takeovers Codes provides that the Takeovers Codes apply to takeovers, mergers and share buy-backs affecting, among others, public companies in Hong Kong and companies with a primary listing of their securities in Hong Kong. According to the Note to Section 4.2 of the Introduction to the Takeovers Codes, a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Hong Kong Listing Rules with a secondary listing on the Hong Kong Stock Exchange will not normally be regarded as a public company in Hong Kong under Section 4.2 of the Introduction to the Takeovers Codes. We have applied for a ruling that we are not a "public company in Hong Kong" for the purposes of the Takeovers Codes. The executive

issued a ruling and confirmed that, we, as a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Hong Kong Listing Rules after our proposed secondary listing on the Hong Kong Stock Exchange, will not be regarded as a public company in Hong Kong for the purposes of the Takeovers Codes. Therefore, the Takeovers Codes do not apply to us. In the event that the bulk of trading in our Shares migrates to Hong Kong such that we would be treated as having a dual-primary listing pursuant to Rule 19C.13 of the Hong Kong Listing Rules, the Takeovers Codes will apply to us.

## **DISCLOSURE OF INTERESTS UNDER PART XV OF SFO**

Part XV of the SFO imposes duties of disclosure of interests in the securities of companies whose securities are listed on the Hong Kong Stock Exchange on the relevant company, its substantial shareholders and its directors/chief executives. Under the U.S. Exchange Act, which we are subject to, any person (including directors and officers of the company concerned) who acquires beneficial ownership, as determined in accordance with the rules and regulations of the SEC and which includes the power to direct the voting or the disposition of the securities, of more than 5% of a class of equity securities registered under Section 12 of the U.S. Exchange Act must file beneficial owner reports with the SEC, and such person must promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply. Therefore, compliance with Part XV of the SFO would subject our corporate insiders to a second level of reporting, which would be unduly burdensome to them, would result in additional costs and would not be meaningful, since the statutory disclosure of interest obligations under the U.S. Exchange Act that apply to us and our corporate insiders would provide our investors with sufficient information relating to the shareholding interests of our significant shareholders.

We have applied for, and the SFC has granted, a partial exemption under section 309(2) of the SFO from the provisions of Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO), on the conditions that (i) the bulk of trading in the Shares is not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Hong Kong Listing Rules; (ii) all disclosures of interest filed with the SEC are also filed with the Hong Kong Stock Exchange as soon as practicable, which will then publish such disclosures in the same manner as disclosures made under Part XV of the SFO; and (iii) we will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of our worldwide share turnover that takes place on the Hong Kong Stock Exchange. This exemption may be reconsidered by the SFC in the event there is a material change in information provided to the SFC.

## **SUPER-MAJORITY VOTE THRESHOLD**

Paragraph 15 of Appendix 3 to the Hong Kong Listing Rules requires that a super-majority vote of the issuer's members of the class to which the rights are attached shall be required to approve a change to those rights. Paragraph 16 of Appendix 3 to the Hong Kong Listing Rules requires that a super-majority vote of the issuer's members in a general meeting shall be required to approve changes to an issuer's constitutional documents, however framed. Paragraph 21 of Appendix 3 to the Hong Kong Listing Rules requires that super-majority vote of the issuer's members in a general meeting shall be required to approve a voluntary winding up of an issuer.

Note 1 of paragraph 15 of Appendix 3 to the Hong Kong Listing Rules provides that a "supermajority vote" means at least three-fourths of the voting rights of the members holding shares in that class present and voting in person or by proxy at a separate general meeting of members of the class where the quorum for such meeting shall be holders of at least one third of the issued shares of the class. Note 1 of each of paragraphs 16 and 21 of Appendix 3 to the Hong Kong Listing Rules provides that a "super-majority vote" means at least three-fourths of the voting rights of the members present and voting in person or by proxy at the general meeting.

Pursuant to the consultation paper of the Hong Kong Stock Exchange for the listing regime for overseas issuers issued in March 2021, the Hong Kong Stock Exchange stated that it does not intend to impose a higher threshold on existing issuers currently subject to the key shareholder protection standards under the "Joint policy statement regarding the listing of overseas companies" published jointly by the Hong Kong Stock Exchange and the Securities and Futures Commission (the "**JPM Standards**"). Such JPM Standards define a "super-majority vote" as a "two-third majority". The Hong Kong Stock Exchange also stated that these issuers will be considered to be in compliance with the core protection standards in the current Appendix 3 to the Hong Kong Listing Rules if they complied with the requirements that were applicable to them in this regard at listing, and the Hong Kong Stock Exchange does not expect such existing listed issuers to be required to make amendments to their constitutional documents to comply with this standard.

As the Company has complied with the requirements that were applicable to the Company at Listing, in which "super-majority" is defined as "majority of not less than two-thirds" in the Current M&AA, according to the said consultation paper and as confirmed by the Hong Kong Stock Exchange, the Company is considered to be in compliance with the core protection standards under Appendix 3 to the Hong Kong Listing Rules and is not required to make amendments to its constitutional documents in accordance with paragraphs 15, 16 and 21 of Appendix 3 to the Hong Kong Listing Rules.



## SECTION A2

### WAIVERS AND EXEMPTIONS — BLACKLINED COMPARISON AGAINST THE PREVIOUS VERSION

In preparation for the Listing and on-going compliance with the requirements under the latest Hong Kong Listing Rules, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Hong Kong Listing Rules, the SFO and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and have applied for a ruling under the Takeovers Codes:

<b>Rules</b>	<b>Subject matter</b>
Rule 2.07A of the Hong Kong Listing Rules	Printed Corporate Communications
Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements Relating to the Accountants' Reports
Rule 9.09(b) of the Hong Kong Listing Rules	Dealings in Shares prior to Listing
Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules	Printed Prospectuses
Rule 13.25B of the Hong Kong Listing Rules	Monthly Return
Rule 13.46(2)(b) of the Hong Kong Listing Rules	Laying Annual Financial Statements Before Members at an Annual General Meeting Within Six Months After the End of Financial Year
Rules 19C.07(3) and 19C.07(7) of the Hong Kong Listing Rules	Shareholder Protection Requirements
Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and Paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures
Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and Paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to Us
Guidance Letter HKEX-GL37-12	Timing Requirement of Liquidity Disclosure

<b>Rules</b>	<b>Subject matter</b>
Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Hong Kong Listing Rules	Disclosure of Interests Information
Paragraph 15(2)(c) of Appendix 1A to the Hong Kong Listing Rules	Disclosure of Offer Price
<u>Paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules</u>	<u>Appointment of Director to Fill a Casual Vacancy On or as an Addition to the Board</u>
<u>Paragraph 17 of Appendix 3 to the Hong Kong Listing Rules</u>	<u>Appointment, Removal and Remuneration of Auditors</u>
<del>Paragraphs 15, 16 and 21 of Appendix 3 to the Hong Kong Listing Rules</del>	<del>Super-majority Vote Threshold</del>
Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules	Subscription for Shares by existing Shareholders
Paragraph 4.2 of Practice Note 18 to the Hong Kong Listing Rules	Clawback mechanism
Rules 4.04(2) and 4.04(a) of the Hong Kong Listing Rules	Investments after the Track Record Period
Paragraph 27 of Appendix 1A of the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements of Options
Paragraph 3(b) of Practice Note 15 of the Hong Kong Listing Rules	Rules related to spin-off listings
Rule 8A.39 of the Hong Kong Listing Rules	Disclosure of ultimate beneficial owners of Other WVR Beneficiaries
Section 4.1 of the Introduction to the Takeovers Codes	Not a public company in Hong Kong under Takeovers Code
Part XV of the SFO	Disclosure of interests under Part XV of the SFO
<b><u>Compliance with Appendix 3 to the Hong Kong Listing Rules</u></b>	<b><u>Subject matter</u></b>
<u>Paragraphs 15, 16 and 21 of Appendix 3 to the Hong Kong Listing Rules</u>	<u>Super-majority Vote Threshold</u>

## Relevant Rule(s) Waived

### **PRINTED CORPORATE COMMUNICATIONS**

Rule 2.07A of the Hong Kong Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that either the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website or the listed issuer's constitutional documents contain provision to that effect, and certain conditions are satisfied.

Our ADSs have been listed on the Nasdaq since 2005. We have a diverse shareholder base with ADS holders globally.

We do not currently produce or send out any corporate communications to our shareholders or holders of ADSs in printed form unless requested or in limited circumstances. We publicly file or furnish various corporate communications with the SEC which are posted on the SEC's website. Our annual reports on Form 20-F and current reports on Form 6-K and all amendments to these reports, are also available free of charge on our website as soon as reasonably practicable after they are filed with or furnished to the SEC. Further, we will post our proxy materials and notices to our shareholders and holders of ADSs on a publicly accessible website. Those documents will also be available on our website. In addition, the depositary bank which administers our ADS program will send a notice as well as an ADS voting instruction card to our ADS holders for annual general meetings and extraordinary general meetings.

Apart from the Hong Kong Offer Shares that we will offer for subscription by the public in Hong Kong, the International Offer Shares will be placed to professional, institutional, corporate and other investors in Hong Kong and elsewhere in the world. Given our diverse shareholder base and the potential number of countries in which our shareholders are located, we consider that it would not be practicable for us to send printed copies of all our corporate communications to all of our shareholders. Further, we consider that it would also not be practicable for us to approach our existing shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 2.07A of the Hong Kong Listing Rules on the conditions that we will:

- (a) issue all future corporate communications as required by the Hong Kong Listing Rules on our own website in English and Chinese, and on the Hong Kong Stock Exchange's website in English and Chinese;
- (b) provide printed copies of proxy materials in English to our shareholders at no costs upon request; and
- (c) ensure that the "Investor Relations" page of our website ([ir.baidu.com](http://ir.baidu.com)) will direct investors to all of our future filings with the Hong Kong Stock Exchange.

## DISCLOSURE REQUIREMENTS RELATING TO THE ACCOUNTANTS' REPORTS

Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance set out certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

- (a) balance sheet at a company level;
- (b) aging analysis of accounts receivables;
- (c) aging analysis of accounts payables; and
- (d) adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last fiscal year reported on.

In accordance with U.S. GAAP, we have applied the modified retrospective transition method or prospective transition method to account for the impact of the adoption of the new accounting standards in the Track Record Period. Under the modified retrospective method and prospective method adopted by us, comparative periods in the latest consolidated financial statements are not retrospectively adjusted.

During the Track Record Period, we adopted, among other new accounting standards that did not have a material impact on our consolidated financial statements, Accounting Standards Update 2016-02 “Leases (Topic 842)”, including certain transitional guidance and subsequent amendments (“**ASU 2016-02**”), Accounting Standards Update 2016-13 “Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, including certain transitional guidance and subsequent amendments (“**ASC 2016-13**”), and Accounting Standards Update 2019-02 “Entertainment — Films — Other Assets — Film Costs (Subtopic 926-20) and Entertainment — Broadcasters — Intangibles — Goodwill and Other (Subtopic 920-350)” (“**ASC 2019-02**”). The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the Accountants’ Report in Appendix IA and Accountant’s Report of YY Live in Appendix IB to this document.

ASU 2016-02 was adopted on January 1, 2019 using the modified retrospective transition method by applying the new lease standard to all leases existing as of January 1, 2019, and no adjustments were made to the comparative periods. The adoption of the new lease standard does not have any significant impact on the consolidated statements of comprehensive income and cash flows and there was no adjustment to the opening balance of retained earnings on January 1, 2019.

ASU 2016-13 was adopted on January 1, 2020 using the modified retrospective method. The cumulative effect of adopting ASU 2016-13 resulted in decreasing the opening balance of retained earnings on January 1, 2020 by RMB314 million, including the allowance for credit losses for account receivable, contract assets and debt securities. For YY Live, the cumulative effect of adopting ASU2016-13 resulted in increasing the opening balance of parent company deficit on January 1, 2020 by RMB785,000.

ASU 2019-02 was adopted on January 1, 2020 using the prospective transition method. After the adoption, the Company reported cash outflows for the costs incurred to obtain rights for both produced and licensed content as operating cash outflows in the statement of cash flows. The adoption of ASU 2019-02 does not have any significant impact on the consolidated balance sheets and there was no adjustment to the opening balance of retained earnings on January 1, 2020 as the prospective transition method was used.

This document includes the following alternative disclosures:

- (a) disclosure of the accounting policy for the adoption of ASU 2016-02 which came into effect on January 1, 2019, as well as the impact of adoption, if any, in the Accountants' Report in Appendix IA and Accountant's Report of YY Live in Appendix IB to this document;
- (b) disclosure of the accounting policies for the adoption of ASU 2016-13 and ASU 2019-02 which came into effect on January 1, 2020, as well as the impact of adoption, if any, in the Accountants' Report in Appendix IA and Accountant's Report of YY Live in Appendix IB to this document; and
- (c) for the new accounting standards that came into effect during the Track Record Period, the accounting policies as well as the impact of adoption, if any, to the retained earnings of initial application (i.e. January 1, 2019 and 2020) has been disclosed in the Accountants' Report in Appendix IA and Accountant's Report of YY Live in Appendix IB to this document, in accordance with the relevant requirements under U.S. GAAP.

As this document has included the above alternative disclosures and the current disclosure in this document contains all information which is necessary for the investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group, we believe that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountants' Report in Appendix IA and Accountant's Report of YY Live in Appendix IB to this document to include certain required information pursuant to Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and that the non-disclosure of such information will not prejudice the interests of investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 12, 2021.

## DEALINGS IN SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Hong Kong Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the “**Relevant Period**”).

We had more than 200 subsidiaries and operating entities as of December 31, 2020, and our ADSs are widely held, publicly traded and listed on Nasdaq. We consider that we are therefore not in a position to control the investment decisions of our shareholders or the investing public in the US. As of the Latest Practicable Date, solely based on public filings with the SEC, other than Mr. Robin Yanhong Li, our chief executive officer, chairman of the Board and Controlling Shareholder, individually and through Handsome Reward Limited, which is wholly-owned and controlled by Mr. Robin Yanhong Li, there are no shareholders who held more than 10% of the total issued share capital of us.

Mr. Robin Yanhong Li (our chief executive officer, chairman of the Board and Controlling Shareholder) may from time to time use his Shares as security (including charges and pledges) in connection with financing activities. As of the Latest Practicable Date, none of the Shares beneficially owned by Mr. Li (both in his personal capacity and through Handsome Reward Limited) were used as security.

Furthermore, for a company whose securities are listed and traded in the U.S., we note that it is a common practice for substantial shareholders and corporate insiders, including directors, executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Exchange Act (the “**Rule 10b5-1 Plans**”) to buy or sell the company’s securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount or value of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when, or whether to effect purchases or sales. Persons who trade securities pursuant to a Rule 10b5-1 Plan have an affirmative defense against insider trading allegations under U.S. securities law.

On the basis of the above, we consider that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Hong Kong Listing Rules:

- (a) Mr. Robin Yanhong Li, our chief executive officer, chairman of the Board and Controlling Shareholder, in respect of (i) use of his Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) the respective dealings by Mr. Li and his close associates pursuant to Rule 10b5-1 Plan that they have set up prior to the Relevant Period (“**Category 1**”);

- (b) our directors other than Mr. Robin Yanhong Li, and the directors and chief executives of our Significant Subsidiaries, in respect of (i) their respective use of the Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) their respective dealings pursuant to Rule 10b5-1 Plans that they have set up prior to the Relevant Period (“**Category 2**”);
- (c) directors, chief executives and substantial shareholders of our non-Significant Subsidiaries and their close associates (“**Category 3**”); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become our substantial shareholder and who is not our director or chief executive, or a director or chief executive of our subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt:

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Hong Kong Listing Rules; and
- (b) persons in Category 1 and Category 2 who use their respective Shares other than as described in this section headed “Dealings in Shares prior to Listing” are subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Hong Kong Listing Rules to be granted on the following conditions:

- (a) Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in the Company’s ADSs after the plans have been entered into. Where Categories 1 and 2 of the Permitted Persons use the Shares as security, there will be no change in the beneficial ownership of the Shares during the Relevant Period;
- (b) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of our Company given that such persons are not in a position with access to information that is considered material to our Company taken as a whole. Given the large number of our subsidiaries and our vast ADS holder base, our Company and our management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in our ADSs;

- (c) we will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which we are aware;
- (d) we will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of our core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (e) prior to the Listing Date, other than within the permitted scopes set out above, our directors and chief executive and the directors and chief executives of our Significant Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

## **PRINTED PROSPECTUS**

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules, we are required to make available copies of the Prospectus in printed form.

The waiver from the requirements to make available printed copies of the Prospectus is in line with recent amendments to the Hong Kong Listing Rules relating to paperless listing and environmental, social and governance (“ESG”) matters. As the Hong Kong Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters “*echo the increasing international focus on climate change and its impact on business.*” Electronic, *in lieu of* printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. It is further noted that the Hong Kong Stock Exchange recently published its Consultation Conclusions on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display in December 2020.

It is noted that in light of the severity of the ongoing COVID-19 pandemic, the provision of printed prospectuses and printed application forms will elevate the risk of contagion of the virus through printed materials. As of the Latest Practicable Date, the government of Hong Kong continued to have in place social distancing measures to restrict public gatherings. While the government of Hong Kong may relax such restrictions as the local COVID-19 situation improves, it is possible that stricter social distancing measures may be necessary later if the number of cases of infection in the territory dramatically increases. In any event, it is impossible to accurately predict the development of the COVID-19 pandemic as of the Latest Practicable Date. In this uncertain environment, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.



We propose to adopt a fully electronic application process for the Hong Kong Public Offering and will not provide printed copies of the Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. We also anticipate that our share registrar appointed in connection with the Listing and the Hong Kong Public Offering will implement enhanced measures to support White Form eIPO Service, including increasing its server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process.

We also expect to publish the formal notice with respect to our Hong Kong Public Offering on the official websites of the Hong Kong Stock Exchange and our Company and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription and the enhanced support provided by our appointed Hong Kong Share Registrar in relation to the Hong Kong Public Offering and reminding investors that no printed prospectus or application form will be provided. We will also issue a press release to highlight the available electronic channels for share subscription.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules in respect of providing copies of the Prospectus in printed form.

## **MONTHLY RETURN**

Rule 13.25B of the Hong Kong Listing Rules requires a listed issuer to publish a monthly return in relation to movements in our equity securities, debt securities and any other securitized instruments, as applicable, during the period to which the monthly return relates.

Under the Joint Policy Statement, this common waiver is subject to the condition that the issuer can meet one of the following three conditions:

- (a) it has received a relevant partial exemption from Part XV of the SFO; or
- (b) it publishes a "next day disclosure return" in strict compliance with Rule 13.25A of the Hong Kong Listing Rules, regardless of the waiver of general effect from this Rule for secondary listed issuers; or
- (c) it is subject to overseas laws or regulations that have a similar effect to Rule 13.25B of the Hong Kong Listing Rules and any differences are not material to shareholder protection.

We have obtained a relevant partial exemption from strict compliance with Part XV of the SFO. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the continuing obligations under Rule 13.25B of the Hong Kong Listing Rules. We will disclose information about share repurchases, if material, in our quarterly earnings releases and annual reports on Form 20-F which are furnished or filed with the SEC in accordance with applicable U.S. rules and regulations.

## **LAYING ANNUAL FINANCIAL STATEMENTS BEFORE MEMBERS AT AN ANNUAL GENERAL MEETING WITHIN SIX MONTHS AFTER THE END OF FINANCIAL YEAR**

Rule 13.46(2)(b) of the Hong Kong Listing Rules requires an overseas issuer to lay its annual financial statements before its members at its annual general meeting within the period of six months after the end of the financial year or accounting reference period to which the annual financial statements relate.

Note 2 to Rule 13.46(2)(b) of the Hong Kong Listing Rules provides that if an issuer has significant interests outside of Hong Kong it may apply for an extension of the six-month period.

Our Company is an issuer with significant interests outside of Hong Kong. By way of illustration:

- (i) our Company was incorporated in the Cayman Islands;
- (ii) our Company is a secondary listed issuer in Hong Kong under Chapter 19C of the Listing Rules, with a primary listing on Nasdaq;
- (iii) our Company has applied for a ruling from the Securities and Futures Commission on the date hereof that our Company should not be considered a public company in Hong Kong within the meaning of Section 4.2 of the Introduction on the Codes on Takeovers and Mergers and Share Buy-backs; one of the reasons for the application is that our Company has significant interests outside of Hong Kong;
- (iv) as of December 31, 2020, our Group had more than 40,000 full-time employees based in the PRC and less than 20 full-time employees based in Hong Kong;
- (v) for the year ended December 31, 2020, more than 97% of our Group's net revenues were generated from the PRC, and as of December 31, 2020, more than 75% of our Group's total assets were based in the PRC; and
- (vi) for the year ended December 31, 2020, less than 2% of our Group's net revenues were generated from Hong Kong, and, as of December 31, 2020, less than 15% of our Group's total assets were based in Hong Kong.

Our Company is expected to be listed in March 2021 and will include in this document the audited financial information for the year ended December 31, 2020 and other financial disclosure. Upon the Listing, we will therefore have provided our shareholders with all of the information required under Rule 13.46(2)(b) of the Hong Kong Listing Rules to our shareholders. Accordingly, our shareholders would not be unfairly prejudiced by us not laying our annual financial statements for the financial year ending December 31, 2020 before our members at an annual general meeting no later than June 30, 2021, as required by Rule 13.46(2)(b) of the Hong Kong Listing Rules.

Furthermore, we have not historically held an annual general meeting every year since our listing on Nasdaq, and the procedures for convening an annual general meeting for a company with a dual listing in the U.S. and Hong Kong are burdensome and require global coordination among various parties, including, but not limited to, the ADS depository bank, Hong Kong share registrar, and Hong Kong Securities Clearing Company Limited.

Rule 5620(a) of the Nasdaq Stock Market Marketplace Rules (the “**Nasdaq Listing Rules**”) requires that each company listing common stock or voting preferred stock, and their equivalents, shall hold an annual general meeting no later than one year after the end of the company’s fiscal year-end. However, pursuant to Rule 5615(a)(3) of the Nasdaq Listing Rules, a foreign private issuer such as our Company may follow our home country practice in lieu of the Rule 5600 Series corporate governance requirements, including the requirements to hold an annual general meeting under Rule 5620(a). The term “home country” is defined under the U.S. securities laws to mean the jurisdiction in which the company is legally organized, incorporated or established.

We have, in our past practice, elected to follow home country practice pursuant to Rule 5615(a)(3) of the Nasdaq Listing Rules in lieu of the requirement under the Rule 5620(a) to hold an annual general meeting every fiscal year, and has disclosed the same in our annual report on Form 20-F pursuant to the U.S. securities laws.

Under article 35 of our articles of association, our Company shall hold an annual general meeting every year if required by the Companies Law under the Cayman Islands.

Our Cayman Islands counsel confirmed that (a) the Companies Act (as revised) of the Cayman Islands does not require our Company to follow or comply with the requirements of Rule 5620(a); (b) our Company’s non-compliance with Rule 5620(a) will not breach any law, public rule or regulation applicable to us currently in force in the Cayman Islands; (c) our memorandum and articles do not prohibit our Company from following our home country practice in lieu of the requirements of Rule 5620(a).

On the basis of the above, our Company’s not holding an annual general meeting before the end of the financial year ending December 31, 2021 does not contravene the relevant requirements under the Nasdaq Listing Rules, U.S. securities laws, laws of the Cayman Islands and our articles of association.

We have applied for, and the Hong Kong Stock Exchange has granted, a one-off waiver from strict compliance with Rule 13.46(2)(b) of the Hong Kong Listing Rules in respect of the requirement to lay our Company’s annual financial statements for the year ended December 31, 2020 before our members at an annual general meeting within six months after the financial year ended December 31, 2020, subject to the condition that we shall hold an annual general meeting for the financial year ending December 31, 2021 by June 30, 2022 and lay before our members at the annual general meeting in 2022 the financial statements for the financial year ending December 31, 2021.

## SHAREHOLDER PROTECTION REQUIREMENTS

For an overseas issuer seeking a secondary listing on the Hong Kong Stock Exchange, Rule 19.30(1)(b) of the Hong Kong Listing Rules requires the overseas issuer's primary listing is or is to be on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. Rule 19C.06 of the Hong Kong Listing Rules provides that Appendix 3 and Appendix 13 of the Hong Kong Listing Rules do not apply to an overseas issuer that is a Non-Greater China Issuer (as defined in the Hong Kong Listing Rules) or a Grandfathered Greater China Issuer seeking a secondary listing under Chapter 19C of the Hong Kong Listing Rules. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Non-Greater China Issuer or a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Hong Kong Listing Rules. We were listed on a Qualifying Exchange before December 15, 2017 and is therefore a Grandfathered Greater China Issuer under Chapter 19C of the Hong Kong Listing Rules.

### **Approval, removal and remuneration of auditors**

Rule 19C.07(3) of the Hong Kong Listing Rules requires the appointment, removal and remuneration of auditors to be approved by a majority of the Qualifying Issuer's members or other body that is independent of the issuer's board of directors (the "**Auditors Provision**").

Our Articles do not contain an equivalent Auditors Provision. Pursuant to our Articles, we may, at any general meeting appoint an auditor who shall hold office until the next annual general meeting, and may fix their remuneration. Although we may appoint auditors at annual general meetings, this function has been fulfilled by the audit committee of the Board (the "**Audit Committee**") since our listing on Nasdaq in 2005.

As a matter of Cayman Island law, our members may express their view on the appointment, removal and remuneration of auditors, by attending the general meeting and speaking, and voting where there are relevant resolutions. Our Articles also allow members holding not less than a majority of the voting rights of our issued Shares that are entitled to vote at general meetings to requisition a general meeting, in which resolutions in respect of appointment, removal and remuneration of auditors may be put forward.

The Audit Committee is an independent body of the Board on the basis of the independence requirements set out in applicable U.S. laws and Nasdaq rules. The Audit Committee comprises three members, all of whom are independent directors as required by applicable U.S. laws and applicable Nasdaq rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 19C.07(3) of the Hong Kong Listing Rules.

### **Changes to requisition of extraordinary general meetings by shareholders**

Rule 19C.07(4) of the Hong Kong Listing Rules requires a general meeting to be held each year as the Qualifying Issuer's annual general meeting. Our Company is not required to hold an annual general meeting under our Articles and the Cayman Companies Act.

Rule 19C.07(7) of the Hong Kong Listing Rules requires that members holding a minority shareholding in a Qualifying Issuer's total number of issued shares to be able to requisition an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the Qualifying Issuer, while the minimum stake as currently set out in the Articles is not less than a majority of the voting rights of our issued Shares that are entitled to vote at general meetings. Under our Articles, a quorum for a shareholders' meeting consists of one or more shareholders holding at least one third of the paid up voting share capital (being the number of issued shares in our paid up voting share capital), present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative.

We will amend the Articles after the Listing to comply with Rule 19C.07(4) and Rule 19C.07(7) of the Hong Kong Listing Rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 19C.07(4) and Rule 19C.07(7) of the Hong Kong Listing Rules, subject to the following conditions:

- (a) we will convene an extraordinary general meeting by December 31, 2021 (the “**2021 EGM**”), for which at least 14 days' notice will be given to our members, and put forth resolutions to revise the Articles, so that (sub-paragraph (i) to (iv) below, collectively the “**Proposed Resolutions**”):
  - (i) we are required to convene an annual general meeting each year;
  - (ii) we are required to provide at least 14 days' notice for any general meetings of the Company;
  - (iii) a member's right to vote is subject to the requirements under the Hong Kong Listing Rules regarding circumstances requiring a member to abstain from voting to approve a matter under consideration, and any votes in contravention of such abstention shall not be counted; and
  - (iv) the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda will be 10% of the voting rights, on a one vote per share basis, in the share capital of our Company;
- (b) we will convene general meetings at the request of our Shareholders holding in aggregate not less than 10% of our Company's voting rights, on a one vote per share basis, prior to the Proposed Resolutions being passed;
- (c) we will provide 14 days' notice for any general meetings after the Listing, prior to the Proposed Resolutions being passed;

- (d) in the event that the Proposed Resolutions are not passed at the 2021 EGM, we will convene an annual general meeting each year with at least 14 days of notice beginning from 2022 and, for so long as we remain listed on the Hong Kong Stock Exchange, to continue to put forth the Proposed Resolutions (to the extent not yet passed) at each of the annual general meetings after the 2021 EGM, until the Proposed Resolutions are passed; and
- (e) we will obtain an irrevocable undertaking prior to the Listing from Mr. Robin Yanhong Li, Handsome Reward Limited and Ms. Melissa Ma, Mr. Robin Yanhong Li's spouse, being existing shareholders with a majority vote in our Company, that they will use their voting rights to vote at the 2021 EGM in favour of the Proposed Resolutions.

Our Cayman Islands counsel has confirmed that there is no legal impediment on the adoption of the transitional arrangements to comply with the relevant requirements before the Proposed Resolutions are passed (being the arrangements set out in (b) to (d) above), and such adoption is not in breach of our Articles or any rules and regulations in the Cayman Islands.

## **PARTICULARS OF ANY COMMISSIONS, DISCOUNTS AND BROKERAGES AND ALTERATIONS OF CAPITAL AND AUTHORIZED DEBENTURES**

Paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraphs 11 and 14 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance require the listing document to include the particulars of any commissions, discounts, brokerages or other special terms granted within two years immediately preceding the issue of the listing document in connection with the issue or sale of any capital of any member of the group and the particulars of any alterations of capital within two years immediately preceding the issue of the listing document.

Paragraph 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires particulars of the authorized debentures of our Company and our subsidiaries to be disclosed in this document.

We have identified 12 entities as our Significant Subsidiaries. For further details, see the section headed "History and Corporate Structure — Corporate Structure — Significant Subsidiaries" in this document. We had more than 200 subsidiaries and operating entities as of December 31, 2020. We believe that it would be unduly burdensome for us to disclose this information in respect of all of our subsidiaries as we would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors.

The Significant Subsidiaries include all our subsidiaries that meet the financial threshold for "significant subsidiaries" under Regulation S-X in the U.S. and are representative of our business (including those that hold major assets and intellectual property rights). None of the non-Significant Subsidiaries is individually material to us in terms of the financial threshold for "significant subsidiaries" under Regulation S-X in the U.S., and none of the non-Significant Subsidiaries hold any major assets, patents, R&D or intellectual property rights as at the Latest Practicable Date.

Based on the book value of the Significant Subsidiaries, the net revenues (taking into account of major adjustments for intra-group transactions) and net income (not taking into account adjustments for intra-group transactions) of the Significant Subsidiaries accounted for 91% and 195% of our total net revenues and total net income, respectively, for the year ended December 31, 2020. Based on the book value of the Significant Subsidiaries, the total assets (not taking into account adjustments for intra-group transactions) of the Significant Subsidiaries accounted for 115% of the our total assets as at December 31, 2020. As such, we have disclosed the particulars of the changes in our share capital and the Significant Subsidiaries in the section headed “Statutory and General Information — Further Information About Us” in Appendix IV to this document, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of the Significant Subsidiaries and our Company are set out in the section headed “Statutory and General Information — Other Information — Miscellaneous” of Appendix IV to this document.

We are of the view that all material information necessary for the public to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements under paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 12, 2021.

## **DISCLOSURE OF INFORMATION ON SUBSIDIARIES WHOSE PROFITS OR ASSETS MAKE MATERIAL CONTRIBUTIONS TO US**

Paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require the listing document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by us, or whose profits or assets make, or will make, a material contribution to the figures in the accountants’ report or the next published accounts.

We believe that it would be unduly burdensome for us to procure this information for the reasons as set out in this section headed “ — Particulars of any Commissions, Discounts and Brokerages and Alteration of Capital and Authorized Debentures” above. As such, only the particulars in relation to the Significant Subsidiaries are set out in this document under the sections headed “History and Corporate Structure — Corporate Structure — Significant Subsidiaries” and “Statutory and General Information — Further Information About Us” in Appendix IV to this document, which should be sufficient for potential investors to make an informed assessment of our Company in

their investment decisions. We are of the view that all material information necessary for the public to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 12, 2021.

## **TIMING REQUIREMENT OF LIQUIDITY DISCLOSURE**

Paragraph 32 of Part A of Appendix 1 to the Hong Kong Listing Rules requires a listing document to include a statement (or an appropriate negative statement) of a new applicant's indebtedness as at a specified most recent practicable date (the "**Most Recent Practicable Date**"), and a commentary on its liquidity, financial resources and capital structure (together, the "**Liquidity Disclosure**").

In accordance with Hong Kong Stock Exchange's Guidance Letter HKEX-GL37-12 ("**GL37-12**"), the Hong Kong Stock Exchange normally expects that the Most Recent Practicable Date for the Liquidity Disclosure, including, among other things, commentary on liquidity and financial resources such as net current assets (liabilities) position and management discussion on this position, in a listing document to be dated no more than two calendar months before (a) the date of the application proof of the listing document and (b) the final date of the listing document.

As this document is expected to be published in March 2021, we would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than January 2021 pursuant to GL37-12. Given that we included in this document an accountants' report incorporating the audited consolidated financial information of our Group for the year ended December 31, 2020, it would be unduly burdensome for us to re-arrange information for similar liquidity disclosures on a consolidated basis shortly after the end of our current financial year.

Strict compliance with the Liquidity Disclosure requirements would constitute an additional one-off disclosure by us of our liquidity position on a date that would fall within the first quarter of our financial year, which would otherwise not be required to be disclosed to investors in the U.S. under applicable U.S. regulations and Nasdaq listing rules, because we are required to announce quarterly results at the end and not in the middle of each quarter of our financial year. Such a one-off disclosure would likely confuse our existing investors and deviate from our customary practice and that of other U.S. listed companies.

In any event, if there are any material changes to such disclosures, we would be required to make an announcement pursuant to U.S. regulations and Nasdaq rules and disclose relevant material facts in this document pursuant to the Hong Kong Listing Rules.



In the event that there is no material change to such disclosures, any similar disclosures made pursuant to GL37-12 would not give additional meaningful information to investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the timing requirement for the Liquidity Disclosure in this document under GL37-12, such that the reported date of indebtedness and liquidity information in this document will not exceed the requirement under GL37-12 by one calendar month (i.e. the time gap between the reported date of our indebtedness and liquidity information and the date of this document would be no more than three calendar months).

## **DISCLOSURE REQUIREMENTS OF THE REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WHOSE EMOLUMENTS WERE HIGHEST**

Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information in respect of directors' emoluments during the financial years ended December 31, 2018, 2019 and 2020. Paragraph 46(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include the aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer in respect of the last completed financial year, and Paragraph 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires information in relation to an estimate of the aggregate remuneration and benefits in kind payable to directors in respect of the current financial year to be set out in the listing document.

Paragraph 33(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information with respect to the five individuals whose emoluments were highest in the group for the year if one or more individuals whose emoluments were the highest have not been included under paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules.

The aggregate fees, salaries and benefits paid and accrued to our directors and executive officers as a group are disclosed in the section headed "Directors and Senior Management — Compensation" in this document. We confirm that the current disclosure complies with U.S. annual reporting requirements and is in line with our disclosure in our annual reports on Form 20-F.

We believe that additional disclosure required by Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules would be unduly burdensome and would not provide additional meaningful disclosure for potential Hong Kong investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

## **DISCLOSURE OF INTERESTS INFORMATION**

Part XV of the SFO imposes duties of disclosure of interests in shares. Practice Note 5 and paragraphs 41(4) and 45 of Part A of Appendix 1 to the Hong Kong Listing Rules require the disclosure of interests information in respect of shareholders' and directors' interests in this document.

The U.S. Exchange Act and the rules and regulations promulgated thereunder require disclosure of interests by shareholders that are broadly equivalent to Part XV of the SFO. Relevant disclosure in respect of the substantial shareholder's interests can be found in the section headed "Major Shareholders" in this document.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Practice Note 5 and Paragraphs 41(4) and 45 of Part A of Appendix 1 to the Hong Kong Listing Rules is to be granted on the following conditions:

- (a) the SFC granting us and our shareholders a partial exemption from strict compliance with Part XV of the SFO;
- (b) our undertaking to file with the Hong Kong Stock Exchange, as soon as practicable, any declaration of shareholding and securities transactions filed with the SEC; and
- (c) our undertaking to disclose in present and future listing documents any shareholding interests as disclosed in an SEC filing and the relationship between our directors, officers, members of committees and their relationship to any controlling shareholders.

## **DISCLOSURE OF OFFER PRICE**

Paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules provides that the issue price or offer price of each security must be disclosed in the listing document.

The Public Offer Price will be determined by reference to, among other factors, the closing price of our ADS price on Nasdaq on the last trading date on or before the price determination date and we have no control on the market price of our ADSs traded on Nasdaq. Given the ADSs of our Company are freely tradable on Nasdaq, there may be price fluctuations in the ADSs as a result of market volatility and other factors during the period from the bulk-printing of this document until the pricing of the Global Offering.

Setting a fixed price or a price range with a low end offer price per Offer Share may adversely affect the market price of the ADSs and the Hong Kong Offer Shares considering, among other factors, that this may indicate an arbitrary floor price and may potentially prejudice our ability to price in the best interest of us and our Shareholders.

A maximum Public Offer Price will be disclosed in this document and the Green Application Form. This alternative disclosure approach would not prejudice the interests of the investing public in Hong Kong.

Given in no circumstances will the Public Offer Price for the Hong Kong Offer Shares be greater than the maximum Public Offer Price as stated in this document and the Green Application Form, the disclosure of the maximum Public Offer Price in this document will be in compliance with the requirement to disclose the “amount payable on application and allotment on each share” as required by paragraph 9 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules.

## **APPOINTMENT OF DIRECTOR TO FILL A CASUAL VACANCY ON OR AS AN ADDITION TO THE BOARD**

Paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules requires that any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the first annual general meeting of the issuer after his appointment, and shall then be eligible for reelection (the “Paragraph 4(2) of Appendix 3”). In the note of paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules, it is provided that “in respect of Grandfathered Greater China Issuers and Non-Greater China Issuers that are permitted to have a WVR structure that does not comply with Chapter 8A of these Exchange Listing Rules, the Exchange will consider the applicability of this requirement on a case-by-case basis based on the circumstances of each individual case.”

The Company is a Grandfathered Greater China Issuer with a WVR structure that does not have to comply with certain requirements under Chapter 8A of the Hong Kong Listing Rules (“Non-Chapter 8A Compliant WVR Structure”) pursuant to the then Rule 19C.12 of the Hong Kong Listing Rules (repealed after December 31, 2021), such that the Company can maintain its existing WVR structure and only follow the disclosure requirements without complying with other safeguards under Chapter 8A of the Hong Kong Listing Rules. The Company was secondary listed on the Hong Kong Stock Exchange in March 2021 (the “Listing”), before the introduction of the core shareholder protection standards in the current Appendix 3 to the Hong Kong Listing Rules.

Article 88 (“Article 88”) of the Company’s Fourth Amended and Restated Memorandum of Association and Articles of Association of Association (the “Current M&AA”) provided that the quorum necessary for the transaction of the business of Directors (which includes the appointment of directors) unless so fixed by the Directors, shall be a majority of the then existing Directors and shall include Mr. Robin Yanhong Li (i.e. one of the Company’s WVR beneficiaries). Article 76 of the Current M&AA (“Article 76”) provided that the Directors, by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. These two Articles form an integral part of the Company’s existing WVR structure. Article 76 does not comply with Paragraph 4(2) of Appendix 3, as a new director appointed under Article 76 can hold office beyond the first annual general meeting of the Company after his appointment. Accordingly, the Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Paragraph 4(2) of Appendix 3 and the waiver has been granted by the Hong Kong Stock Exchange on the basis that (i) the adoption of Paragraph 4(2) of Appendix 3 would contradict the spirit of grandfathering the Non-Chapter 8A Compliant WVR Structure of the Company as a Grandfathered Greater China Issuer, and (ii) the

abovementioned mechanism as provided under Article 76 and Article 88 forms an integral part of the Company's WVR structure, which is a ground of granting the waiver as codified in Paragraph 4(2) of Appendix 3.

## **APPOINTMENT, REMOVAL AND REMUNERATION OF AUDITORS**

Paragraph 17 of Appendix 3 to the Hong Kong Listing Rules requires that the appointment, removal and remuneration of auditors must be approved by a majority of the issuer's members or other body that is independent of the board of directors. Such rule is equivalent to the then Rule 19C.07(3) of the Hong Kong Listing Rules (repealed after December 31, 2021).

At the time of Listing, the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from the strict compliance with Rule 19C.07(3) of the Hong Kong Listing Rules on the conditions that, among others, the Board has delegated the power to appoint, remove and remunerate the auditors to the Audit Committee, being an independent body of the Board on the basis of the independent requirements as set out in applicable U.S. laws and the Nasdaq rules, and which comprises three members, all of whom are independent Directors as required by the U.S. Exchange Act and applicable Nasdaq rules. Such waiver will continue to apply to the Company after paragraph 17 of Appendix 3 to the Hong Kong Listing Rules has come into effect.

## **SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS**

Rule 10.04 of the Hong Kong Listing Rules requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03 of the Hong Kong Listing Rules are fulfilled. Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules states that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to be made to directors, existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 of the Hong Kong Listing Rules are fulfilled.

We have been listed on Nasdaq since 2005 and has a wide and diverse shareholder base. Solely based on public filings with the SEC available as of the Latest Practicable Date, with the exception of Ms. Melissa Ma, the spouse of Mr. Robin Yanhong Li, we had no shareholder who was not a director and who held 5% or more of our Company's voting rights. Category 4 of the Permitted Persons (as defined in " — Dealings in Shares prior to the Listing" above) have no influence over the Global Offering and are not in possession of any non-public inside information in relation to the Listing given that such persons are not in a position with access to information that is considered material to the Company as a whole, and are effectively in the same positions as the public investors of the Company. Category 4 of the Permitted Persons and other public investors are referred to as "**Permitted Existing Shareholders**".

Considering the nature of those investors and as our Shares are publicly traded on Nasdaq, we are not in the position to prevent any person or entity from acquiring listed securities of our Company prior to the Global Offering. In addition, we will only be able to ascertain the change in the shareholding of the relevant Shareholder after we make public disclosure. It would therefore be unduly burdensome for us to seek the prior consent of the Hong Kong Stock Exchange for each of our existing shareholders or their close associates who subscribe for Shares in the Global Offering.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules in respect of the restriction on Permitted Existing Shareholders to subscribe for or purchase Shares in the Global Offering, subject to the following conditions:

- each Permitted Existing Shareholder is interested in less than 5% of our Company's voting rights before the Listing;
- each Permitted Existing Shareholder is neither a director nor a member of senior management of our Company, and is not a director of any of our Company's subsidiaries;
- other than the persons in Category 4 of the Permitted Persons, each Permitted Existing Shareholder is not a core connected person of our Company;
- the Permitted Existing Shareholders do not have the power to appoint directors of our Company or any other special rights in our Company;
- the Permitted Existing Shareholders and their close associates do not have influence over the offering process and will be treated the same as other applicants and placees in the Global Offering;
- the Permitted Existing Shareholders and their close associates will be subject to the same book-building and allocation process as other applicants and placees in the Global Offering; and
- to the best of their knowledge and belief, each of our Company, the Joint Sponsors and the Joint Representatives (based on its discussions with and the confirmations from our Company and the Joint Representatives (for itself and on behalf of the Underwriters)), confirms to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders and their close associates as a placee in the International Offering by virtue of their relationship with our Company.

Allocation to the Permitted Existing Shareholders and/or their close associates will not be disclosed in our allotment results announcement (other than to the extent that such Permitted Existing Shareholders or close associates subscribe for shares as cornerstone investors) unless such Permitted Existing Shareholders are interested in 5% or more of our issued share capital after the Global Offering as disclosed in any of their public filings with the SEC (the "**Available Information**"). It would be unduly burdensome for us to disclose such information other than the Available Information given that there is no requirement to disclose interests in equity securities under the U.S. Exchange Act unless the beneficial ownership of a person reaches 5% or more, and when there is a subsequent change of ownership of 1% or more, in our issued share capital.

## **CLAWBACK MECHANISM**

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of the Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Representatives (for itself and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (i) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 8,550,000 Offer Shares, representing 9% of the Offer Shares initially available under the Global Offering;
- (ii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 9,500,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
- (iii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 11,400,000 Offer Shares, representing 12% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives (for itself and on behalf of the Underwriters) deem appropriate. In addition, the Joint Representatives (for itself and on behalf of the Underwriters) may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives (for itself and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinator (for itself and on behalf of the Underwriters) deem appropriate.

See “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation.”

## INVESTMENTS AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules, the accountants' report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to Rule 4.02A of the Hong Kong Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

### Ordinary course Investments since December 31, 2020

During the Track Record Period, we have made minority investments in a number of companies both in China and overseas in our ordinary and usual course of business to further our strategic objectives. Since December 31, 2020 and up to the Latest Practicable Date, we have made or proposed to make minority investments in a number of companies, and we expect to continue to enter into further minority investments subsequent to the Latest Practicable Date and prior to the date of this document (collectively, the “Investments”). Details of the Investments up to the Latest Practicable Date include (other than those, the considerations of which were less than RMB20 million — being less than 0.02% of our total assets as of December 31, 2020 and revenue for the year ended December 31, 2020):

<u>Investment</u> <sup>(2)(3)</sup>	<u>Consideration</u> (approx. in RMB millions)	<u>Percentage of shareholding/ equity interest</u> <sup>(1)</sup>	<u>Principal business activities</u>
Company A	350	28%	Consulting
Company B	100	9%	Medical
Company C	80	40%	Medical
Company D	50	10%	Consulting
Company E	50	9%	Consulting
Company F	33	8%	Medical
Company G	30	5%	E-commerce
Company H	25	23%	Entertainment
Company I	22	11%	Education
Company J	20	6%	Commerce
Company K	20	8%	Medical
Company L	20	1%	Medical
Company M	20	1%	Technology

Notes:

- (1) The approximate consideration disclosed in the table represents each of the Investments. The percentage of shareholding/equity interest represents our total pro forma shareholding in each of the Investments after the completion of the relevant transaction.
- (2) None of the core connected persons at the level of our Company is a controlling shareholder of any of the Investments.
- (3) Given that we have not yet entered into legally binding agreements for certain of the above Investments as at the Latest Practicable Date, the terms and information set out above may be subject to further changes.

We confirm that the investment amounts for each of the Investments are the result of commercial arm's length negotiations, based on factors including market dynamics, a mutually agreed valuation, and/or capital need of the relevant company's operations.

***Conditions for granting the waiver and its scope in respect of the Investments***

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules in respect of the Investments on the following grounds:

Ordinary and usual course of business

We make equity investments in sectors relating to our business as part of our ordinary and usual course of business. We have a history of making minority investments and have conducted a number of minority investments during the Track Record Period.

The percentage ratios of each Investment are all less than 5% by reference to the most recent fiscal year of our Company's Track Record Period

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for each of the Investments are all less than 5% by reference to the most recent fiscal year of the Track Record Period. We do not believe that the Investments are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Investments involves the acquisition of interests in a different company and (ii) the Investments were entered into, or are expected to be entered into, with different counterparties.

Accordingly, we believe that the Investments have not resulted in, and does not expect the Investments to result in, any significant changes to its financial position since December 31, 2020, and all information that is reasonably necessary for potential investors to make an informed assessment of our activities or financial position has been included in this document. As such, we consider that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

We are not able to exercise any control over the underlying company or business

We only hold and/or expect to only hold a minority equity interest in each of the Investments and does not control their boards of directors, and expects this to remain the case for any subsequent Investments. The minority rights given to us are generally commensurate to its status as a minority shareholder and are for the protection of our interests as a minority stakeholder in the Investments. These rights are neither intended, nor sufficient to compel or require the relevant companies to prepare or to disclose in this document audited financial statements for the purposes of compliance



with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules. These disclosures are also not required pursuant to applicable U.S. securities laws. It could be prejudicial and potentially harmful to our portfolio relationships and commercial interests to make such disclosures. In addition, as some portfolio companies are private, disclosing this information could harm their interests and bring them into an unfavorable competitive position. Accordingly, as we do not expect the Investments to result in any material changes to its financial position after the Track Record Period, we do not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interest of the investors.

#### Alternative disclosure of the Investments in this document

We have disclosed alternative information about the Investments in this document. Such information includes those which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that our directors consider to be material, including, for example, descriptions of the relevant companies' principal business activities, the investment amounts, and a statement as to whether the core connected persons at the level of our Company is a controlling shareholder of any of the Investments. We have however excluded disclosure on the names of companies in connection with the Investments in this document because: (i) we have entered into confidentiality agreements with these companies and do not have consent for such disclosure; and/or (ii) the transactions have not been disclosed, and are not required to be disclosed, under U.S. regulations. It is commercially sensitive to disclose the identities of the companies we have invested in or proposes to invest in as such information may enable our competitors to anticipate our investment strategy. Since the relevant percentage ratio of each Investment is less than 5% by reference to the most recent fiscal year of the Company's Track Record Period, we believe the current disclosure is adequate for potential investors to form an informed assessment of us.

## **DISCLOSURE REQUIREMENTS OF OPTIONS**

Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules requires an issuer to set out in the listing document particulars of any capital of any member of the group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further requires an issuer to set out in the Prospectus, among other things, details of the number, description and amount of any of its shares or debentures which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration given or to be given (if any) and the names and addresses of the persons to whom it was given.

We and our subsidiaries (including its consolidated affiliated entities) may, from time to time, adopt equity incentive plans, including: (a) our share incentive plan adopted in December 2008 and which expired in 2018 (the “**2008 Share Incentive Plan**”); (b) our share incentive plan adopted in July 2018 (the “**2018 Share Incentive Plan**”, and together with the 2008 Share Incentive Plan,

the “**Share Incentive Plans**”); (c) the equity incentive plan adopted in 2010 (the “**iQIYI 2010 Equity Incentive Plan**”) by iQIYI, our majority-controlled subsidiary listed on the New York Stock Exchange, and (d) the share incentive plan adopted in 2017 by iQIYI (the “**iQIYI 2017 Share Incentive Plan**” and, together with the “**iQIYI 2010 Equity Incentive Plan**”, the “**iQIYI Incentive Plans**”). These equity incentive plans are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules. The equity incentive plans allow us, iQIYI and our subsidiaries to grant awards (including options) to employees, directors and consultants. The waiver and exemption therefore only relates to the options that are granted under the Share Incentive Plans and the iQIYI Incentive Plans.

As of December 31, 2020, the outstanding options pursuant to the Share Incentive Plans only accounted for approximately 0.9% of our total issued and outstanding shares. Assuming full exercise of these outstanding options, the shareholding of our Shareholders will be diluted by approximately 0.9%, based on the outstanding shares of our Company in issue as of December 31, 2020.

As of December 31, 2020, the outstanding options pursuant to the iQIYI Incentive Plans only accounted for approximately 7.7% of iQIYI’s total issued and outstanding shares. Assuming full exercise of these outstanding options, the shareholding of iQIYI’s Shareholders will be diluted by approximately 7.1%, based on the outstanding shares of iQIYI in issue as of December 31, 2020.

Details of the Share Incentive Plans are disclosed in the section headed “**Directors and Senior Management — Compensation — Share Incentive Plans**” and details of the iQIYI Incentive Plans are disclosed in “**Statutory and General Information — Further Information About us — Share incentive plans of iQIYI**” in Appendix IV to this document. The disclosure is substantially the same as those in our and iQIYI’s 20-F filings and comply with applicable U.S. laws and regulations, and certain details of the options as required under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are not required to be and have not been disclosed in our Company’s and iQIYI’s previous regulatory filings. In addition, the Share Incentive Plans and iQIYI Incentive Plans are not subject to Chapter 17 of the Hong Kong Listing Rules as it is not applicable pursuant to Rule 19C.11 of the Hong Kong Listing Rules, and the SFC has granted a partial exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO).

For the above reasons, the current disclosure in this document relating to the Share Incentive Plans and the iQIYI Incentive Plans is not in strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules, and the current disclosure in this document relating to the Share Incentive Plans is not in strict compliance with the requirements under Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

For the reasons stated above, we believe that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for us, and would not be material or meaningful to Hong Kong investors.

We are of the view that all material information necessary for the public to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group has been disclosed in this document, and as such the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules in relation to the Share Incentive Plans and the iQIYI Incentive Plans. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the Share Incentive Plans, to the extent not strictly met by the current disclosure in this document, on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 12, 2021.

## **RULES RELATING TO SPIN-OFF LISTINGS**

Rule 19C.11 of the Hong Kong Listing Rules provides that, among other things, paragraphs 1 to 3(b) and 3(d) to 5 of Practice Note 15 of the Hong Kong Listing Rules do not apply to a Qualifying Issuer that has, or is seeking, a secondary listing on the Hong Kong Stock Exchange. Such exception limited to circumstances where the spun-off assets or businesses are not to be listed on the Hong Kong Stock Exchange's markets and the approval of shareholders of the issuer is not required.

Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the issuer, given the original listing of the issuer will have been approved on the basis of the issuer's portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the issuer would continue to develop those businesses.

While we do not have any specific plans with respect to the timing or details of any potential spin-off listing on the Hong Kong Stock Exchange as at the date of this document, in light of our Group's overall business scale, we may consider spinning off one or more of its mature business units through a listing on the Hong Kong Stock Exchange (each a "**Potential Spin-off**") within three years after the Listing, if there are clear commercial benefits both to us and the businesses to be potentially spun-off and there will be no adverse impact on the interests of our shareholders. As of the Latest Practicable Date, we have not identified any target for a potential spin-off; as a result, we do not have any information relating to the identity of any spin-off target or any other details of any spin off and accordingly, there is no material omission of any information relating to any possible spin-off in this document. We cannot assure that any spin-off will ultimately be consummated, whether within the three-year period after the Listing or otherwise, and any such spin-off will be subject to market conditions at the relevant time and approval by the Listing Committee of the Hong Kong Stock Exchange. In the event that we proceed with a spin-off, our interest in the entity to be spun off (and its corresponding contribution to the financial results of our Group) will be reduced accordingly.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements in paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules, on the following grounds:

- (i) no shareholders' approval with respect to a Potential Spin-off will be required under the Articles under applicable U.S. regulations and Nasdaq listing rules. Further, as we are a Grandfathered Greater China Issuer and therefore exempt from the requirements under Chapter 14 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules, no shareholders' approval will be required under the Hong Kong Listing Rules as well;
- (ii) the effect of a spin-off to our shareholders should be the same regardless of whether or not the businesses to be potentially spun-off are to be listed on the Hong Kong Stock Exchange (save with respect to any preferential rights to subscribe for shares that are commonly provided in spin-offs on the Hong Kong Stock Exchange). Given the fact that certain spin-offs by Grandfathered Greater China Issuers are allowed within three years after their listing in Hong Kong pursuant to Rule 19C.11 of the Hong Kong Listing Rules, we believe that the three-year restriction on spin-offs on the Hong Kong Stock Exchange should also be waived and shall not apply to a Potential Spin-off by our Company;
- (iii) in any event, our Company and any subsidiary in respect of which a Potential Spin-off is contemplated will be subject to compliance with all other applicable requirements under the Hong Kong Listing Rules, including the remaining requirements of Practice Note 15 and (in the case of the company to be spun-off) the listing eligibility requirements of Chapter 8, 8A or 19C of the Hong Kong Listing Rules (as the case may be), unless otherwise waived by the Hong Kong Stock Exchange;
- (iv) under U.S. securities laws and Nasdaq rules, we are not subject to any restrictions similar to the three-year restriction under paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules in relation to the spin-offs of our businesses, nor is there any requirement for us to disclose any details of its potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan; and
- (v) the directors owe fiduciary duties to our Company, including the duty to act in what they consider in good faith to be in our best interests; as such they will only pursue a potential spin-off if there are clear commercial benefits both to us and the entity or entities to be spun off; and the directors will not direct our Company to conduct any spin-off if they believe it will have an adverse impact on the interests of our shareholders.

The waiver was granted by the Hong Kong Stock Exchange on the following conditions:

- (i) prior to any spin-off of our business through a listing on the Hong Kong Stock Exchange within three years after the Listing, we will confirm to the Hong Kong Stock Exchange with basis that the spin-off would not render us, excluding the business to be spun off, incapable of fulfilling either the eligibility or suitability requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules based on the financial information of the entity to be spun-off at the time of our listing (calculated accumulatively where more than one entity is to be spun-off);

- (ii) we will disclose in this document our intention relating to any potential spin-off within three years after the Listing and the risks relating to the uncertainty and timing of any potential spin-offs (see section headed “Risk Factors — Risks Related to Our Shares, ADSs and the Listing — We are exposed to risks associated with the potential spin-off of one or more of our businesses” in this document);
- (iii) any potential spin-offs by our Company will be subject to the requirements of Practice Note 15 to the Hong Kong Listing Rules (other than paragraph 3(b) thereof), including that each of our Company and our businesses to be spun off will satisfy the applicable listing eligibility requirements on a standalone basis; and
- (iv) disclosure of this waiver in this document.

## **DISCLOSURE OF ULTIMATE BENEFICIAL OWNER OF OTHER WVR BENEFICIARY**

Rule 8A.39 of the Hong Kong Listing Rules provides that an issuer with a WVR structure must identify the beneficiaries of weighted voting rights in its listing documents and in its interim and annual reports.

Immediately upon completion of the Global Offering, the WVR beneficiaries will be Mr. Robin Yanhong Li, the chairman and chief executive officer of the Company; Ms. Melissa Ma, the spouse of Mr. Li, and Shimoda Holdings, LLC and Integrity Partners V, LLC, which are affiliated with early stage investors of our Company that invested in our Company before its US IPO in 2005. Details of the WVR beneficiaries are disclosed in “Share Capital — WVR Beneficiaries” in this document.

To our best knowledge Shimoda Holdings, LLC and Integrity Partners V, LLC (together the “**Other WVR Beneficiaries**”) and their respective ultimate beneficial owners are independent third parties of our Company and are not core connected persons of our Company, and the ultimate beneficial owners of the Other WVR Beneficiaries do not have a role in our business and operations.

The disclosure in this document does not include information on the ultimate beneficial owners of the Other WVR Beneficiaries. We applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements in Rule 8A.39 in relation to this document and our future interim and annual reports on the following grounds:

- (i) **Voting rights controlled by the Other WVR Beneficiaries are immaterial.** Immediately upon the completion of the Global Offering, the Other WVR Beneficiaries will control in aggregate approximately 0.6% of our voting rights. We undertake that we will not issue additional Class B ordinary shares to the Other WVR Beneficiaries in the future.
- (ii) **No consent to disclosure has been obtained.** As of the Latest Practicable Date, no consent for disclosure of ultimate beneficial ownership has been received from the Other WVR Beneficiaries.

- (iii) **Risk of breach of the Data Protection Act (As Revised) of the Cayman Islands.** Our adviser as to Cayman Islands law has advised us that there is a risk that disclosure of the ultimate beneficial owners of the Other WVR Beneficiaries without their consent would be in breach of the Data Protection Act (As Revised) of the Cayman Islands, the breach of which may lead to remedial action by the relevant Cayman Islands regulator (the Ombudsman), the imposition of penalties, and criminal sanctions.
- (iv) **Other WVR Beneficiaries are affiliated with early stage investors of the Company.** These early stage investors invested in our Company before its initial public offering on Nasdaq in 2005, which dates back to more than a decade ago.
- (v) **No specific disclosure of ultimate beneficial owner in US filings.** We are an issuer seeking a secondary listing as a Grandfathered Greater China Issuer pursuant to Chapter 19C of the Hong Kong Listing Rules. We have had a long history of listing on Nasdaq, and we have consistently disclosed details of our major shareholders (being holders known to own beneficially more than 5% of our total outstanding shares) pursuant to applicable US laws and Nasdaq rules. The prospectus relating to our initial public offering on Nasdaq in 2005 and our subsequent 20-Fs did not explicitly name the ultimate beneficial owners of the Other WVR Beneficiaries.
- (vi) **Interests of investing public not prejudiced.** The exclusion of the ultimate beneficial owners of the Other WVR Beneficiaries from this document, especially given their immaterial shareholding, would not prejudice the interests of the investing public. This document currently contains, and the Company expects to include in its future interim and annual reports, alternative disclosure relating to the Other WVR Beneficiaries, including their names, their shareholding, that they are affiliated with early stage investors of the Company that invested in the Company before its US IPO in 2005, and that they and their respective ultimate beneficial owners are an independent third party of and not a core connected person of the Company and the ultimate beneficial owners of the Other WVR Beneficiaries do not have a role in the Company's business and operations to the best knowledge of the Company.

For the reasons stated above, we believe that strict compliance with the requirements of Rule 8A.39 of the Hong Kong Listing Rules would be inappropriate and not in the best interests of the Company.

## **NOT A PUBLIC COMPANY IN HONG KONG UNDER THE TAKEOVERS CODE**

Section 4.1 of the Introduction to Takeovers Codes provides that the Takeovers Codes apply to takeovers, mergers and share buy-backs affecting, among others, public companies in Hong Kong and companies with a primary listing of their securities in Hong Kong. According to the Note to Section 4.2 of the Introduction to the Takeovers Codes, a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Hong Kong Listing Rules with a secondary listing on the Hong Kong Stock Exchange will not normally be regarded as a public company in Hong Kong under Section 4.2 of the Introduction to the Takeovers Codes. We have applied for a ruling that we are not a "public company in Hong Kong" for the purposes of the Takeovers Codes. The executive

issued a ruling and confirmed that, we, as a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Hong Kong Listing Rules after our proposed secondary listing on the Hong Kong Stock Exchange, will not be regarded as a public company in Hong Kong for the purposes of the Takeovers Codes. Therefore, the Takeovers Codes do not apply to us. In the event that the bulk of trading in our Shares migrates to Hong Kong such that we would be treated as having a dual-primary listing pursuant to Rule 19C.13 of the Hong Kong Listing Rules, the Takeovers Codes will apply to us.

## **DISCLOSURE OF INTERESTS UNDER PART XV OF SFO**

Part XV of the SFO imposes duties of disclosure of interests in the securities of companies whose securities are listed on the Hong Kong Stock Exchange on the relevant company, its substantial shareholders and its directors/chief executives. Under the U.S. Exchange Act, which we are subject to, any person (including directors and officers of the company concerned) who acquires beneficial ownership, as determined in accordance with the rules and regulations of the SEC and which includes the power to direct the voting or the disposition of the securities, of more than 5% of a class of equity securities registered under Section 12 of the U.S. Exchange Act must file beneficial owner reports with the SEC, and such person must promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply. Therefore, compliance with Part XV of the SFO would subject our corporate insiders to a second level of reporting, which would be unduly burdensome to them, would result in additional costs and would not be meaningful, since the statutory disclosure of interest obligations under the U.S. Exchange Act that apply to us and our corporate insiders would provide our investors with sufficient information relating to the shareholding interests of our significant shareholders.

We have applied for, and the SFC has granted, a partial exemption under section 309(2) of the SFO from the provisions of Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO), on the conditions that (i) the bulk of trading in the Shares is not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Hong Kong Listing Rules; (ii) all disclosures of interest filed with the SEC are also filed with the Hong Kong Stock Exchange as soon as practicable, which will then publish such disclosures in the same manner as disclosures made under Part XV of the SFO; and (iii) we will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of our worldwide share turnover that takes place on the Hong Kong Stock Exchange. This exemption may be reconsidered by the SFC in the event there is a material change in information provided to the SFC.

## **SUPER-MAJORITY VOTE THRESHOLD**

Paragraph 15 of Appendix 3 to the Hong Kong Listing Rules requires that a super-majority vote of the issuer’s members of the class to which the rights are attached shall be required to approve a change to those rights. Paragraph 16 of Appendix 3 to the Hong Kong Listing Rules requires that a super-majority vote of the issuer’s members in a general meeting shall be required to approve changes to an issuer’s constitutional documents, however framed. Paragraph 21 of Appendix 3 to the Hong Kong Listing Rules requires that super-majority vote of the issuer’s members in a general meeting shall be required to approve a voluntary winding up of an issuer.

Note 1 of paragraph 15 of Appendix 3 to the Hong Kong Listing Rules provides that a “supermajority vote” means at least three-fourths of the voting rights of the members holding shares in that class present and voting in person or by proxy at a separate general meeting of members of the class where the quorum for such meeting shall be holders of at least one third of the issued shares of the class. Note 1 of each of paragraphs 16 and 21 of Appendix 3 to the Hong Kong Listing Rules provides that a “super-majority vote” means at least three-fourths of the voting rights of the members present and voting in person or by proxy at the general meeting.

Pursuant to the consultation paper of the Hong Kong Stock Exchange for the listing regime for overseas issuers issued in March 2021, the Hong Kong Stock Exchange stated that it does not intend to impose a higher threshold on existing issuers currently subject to the key shareholder protection standards under the “Joint policy statement regarding the listing of overseas companies” published jointly by the Hong Kong Stock Exchange and the Securities and Futures Commission (the “JPM Standards”). Such JPM Standards define a “super-majority vote” as a “two-third majority”. The Hong Kong Stock Exchange also stated that these issuers will be considered to be in compliance with the core protection standards in the current Appendix 3 to the Hong Kong Listing Rules if they complied with the requirements that were applicable to them in this regard at listing, and the Hong Kong Stock Exchange does not expect such existing listed issuers to be required to make amendments to their constitutional documents to comply with this standard.

As the Company has complied with the requirements that were applicable to the Company at Listing, in which “super-majority” is defined as “majority of not less than two-thirds” in the Current M&AA, according to the said consultation paper and as confirmed by the Hong Kong Stock Exchange, the Company is considered to be in compliance with the core protection standards under Appendix 3 to the Hong Kong Listing Rules and is not required to make amendments to its constitutional documents in accordance with paragraphs 15, 16 and 21 of Appendix 3 to the Hong Kong Listing Rules.