2022
ANNUAL REPORT

美团

Meituan

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

Stock Code: 3690

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Wang Huiwen (王慧文)
(redesignated from an executive Director to a non-executive Director with effect from March 25, 2023)
Mr. Neil Nanpeng Shen (沈南鵬)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Xu Sijia (徐思嘉)
Ms. Lau Yee Wa (劉綺華)

AUTHORIZED REPRESENTATIVES

Mr. Wang Xing (王興)
Mr. Wang Huiwen (王慧文)

AUDITOR

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

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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CORPORATE INFORMATION

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Kowloon
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LEGAL ADVISORS

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Hong Kong

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As to Cayman Islands law:
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COMPLIANCE ADVISOR

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Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

China Merchants Bank, Beijing Branch
Shouti Sub-branch
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No. 168 Xizhimenwai Street
Haidian District
Beijing
China

STOCK CODE

3690

COMPANY'S WEBSITE

about.meituan.com

CORPORATE INFORMATION

WEIGHTED VOTING RIGHTS

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

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

As at the date of this annual report (i.e. March 24, 2023), the WVR Beneficiaries are Wang Xing, Mu Rongjun and Wang Huiwen. Wang Xing beneficially owned 515,869,783 Class A Shares, representing approximately 43.13% of the voting rights in the Company with respect to Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Wang Xing are held by (i) Crown Holdings, a company indirectly wholly owned by a trust established by Wang Xing (as settlor) for the benefit of Wang Xing and his family; and (ii) Shared Patience, a company directly wholly owned by Wang Xing. Mu Rongjun beneficially owned 88,650,000 Class A Shares, representing approximately 7.41% of the voting rights in the Company with respect to Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Mu Rongjun are held by Charmway Enterprises, a company indirectly wholly owned by a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family. Wang Huiwen beneficially owned 36,400,000 Class A Shares, representing approximately 3.04% of the voting rights in the Company with respect to Class A Shareholders' resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Wang Huiwen are held by Kevin Sunny, a company indirectly wholly owned by a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family.

Class A Shares may be converted into Class B Shares on a one to one ratio. As at the date of this annual report, upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 640,919,783 Class B Shares, representing approximately 11.54% of the total number of issued Class B Shares as at the date of this annual report.

CORPORATE INFORMATION

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

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

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

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

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

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,				
	2018	2019	2020	2021	**2022**
	(RMB in thousands)				
Revenues	65,227,278	97,528,531	114,794,510	179,127,997	**219,954,948**
Gross profit	15,104,958	32,320,388	34,050,142	42,474,128	**61,752,979**
Profit/(loss) before income tax	(115,490,807)	2,762,388	4,437,875	(23,566,477)	**(6,755,517)**
Profit/(loss) for the year	(115,492,695)	2,236,165	4,707,612	(23,536,198)	**(6,685,323)**
Profit/(loss) for the year attributable to equity holders of the Company	(115,477,171)	2,238,769	4,708,313	(23,538,379)	**(6,686,110)**
Total comprehensive income/(loss) for the year	(123,296,397)	2,919,043	1,728,980	(25,036,620)	**(6,129,362)**
Total comprehensive income/(loss) for the year attributable to equity holders of the Company	(123,281,091)	2,921,721	1,729,681	(25,038,801)	**(6,130,149)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				
	2018	2019	2020	2021	**2022**
	(RMB in thousands)				
ASSETS					
Non-current assets	47,512,119	49,877,870	78,268,647	92,824,592	**101,335,725**
Current assets	73,149,392	82,135,045	88,306,155	147,828,677	**143,145,467**
Total assets	120,661,511	132,012,915	166,574,802	240,653,269	**244,481,192**
EQUITY					
Equity attributable to equity holders of the Company	86,504,334	92,112,445	97,693,027	125,613,442	**128,761,610**
Non-controlling interests	5,438	(58,051)	(58,752)	(56,680)	**(55,893)**
Total Equity	86,509,772	92,054,394	97,634,275	125,556,762	**128,705,717**
LIABILITIES					
Non-current liabilities	2,326,683	3,365,958	17,792,886	46,503,550	**39,345,378**
Current liabilities	31,825,056	36,592,563	51,147,641	68,592,957	**76,430,097**
Total liabilities	34,151,739	39,958,521	68,940,527	115,096,507	**115,775,475**
Total equity and liabilities	120,661,511	132,012,915	166,574,802	240,653,269	**244,481,192**

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

FINANCIAL INFORMATION BY SEGMENT[1]

	Unaudited Three Months Ended December 31, 2022			
	Core local commerce	New initiatives	Unallocated items[2]	Total
	(RMB in thousands)			
Revenues:				
Delivery services	19,772,732	–	–	19,772,732
Commission	14,636,518	297,341	–	14,933,859
Online marketing services	7,744,751	24,841	–	7,769,592
Other services and sales (including interest revenue)	1,318,663	16,334,093	–	17,652,756
Total revenues	43,472,664	16,656,275	–	60,128,939
Cost of revenues, operating expenses and unallocated items	(36,257,422)	(23,021,295)	(1,581,812)	(60,860,529)
Including: Delivery related costs	(22,199,253)	–	–	(22,199,253)
Operating (loss)/profit	7,215,242	(6,365,020)	(1,581,812)	(731,590)

	Unaudited Three Months Ended December 31, 2021			
	Core local commerce	New initiatives	Unallocated items	Total
	(RMB in thousands)			
Revenues:				
Delivery services	14,990,397	–	–	14,990,397
Commission	12,878,761	438,259	–	13,317,020
Online marketing services	8,137,460	45,169	–	8,182,629
Other services and sales (including interest revenue)	1,027,220	12,005,867	–	13,033,087
Total revenues	37,033,838	12,489,295	–	49,523,133
Cost of revenues, operating expenses and unallocated items	(31,916,464)	(21,850,963)	(761,562)	(54,528,989)
Including: Delivery related costs	(19,312,006)	–	–	(19,312,006)
Operating (loss)/profit	5,117,374	(9,361,668)	(761,562)	(5,005,856)

1 Starting from the quarter ended June 30, 2022, our chief operating decision makers reviewed information under a new reporting structure, and segment reporting was updated to conform to this change. Comparative figures for the fourth quarter and whole year of 2021 were reclassified accordingly.

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

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

	Year-over-year change			
	Core local commerce	New initiatives	Unallocated items	Total
	(Percentages %)			
Revenues:				
Delivery services	31.9	NA	NA	31.9
Commission	13.6	(32.2)	NA	12.1
Online marketing services	(4.8)	(45.0)	NA	(5.0)
Other services and sales (including interest revenue)	28.4	36.1	NA	35.4
Total revenues	17.4	33.4	NA	21.4
Cost of revenues, operating expenses and unallocated items	13.6	5.4	107.7	11.6
Including: Delivery related costs	15.0	NA	NA	15.0
Operating (loss)/profit	41.0	(32.0)	107.7	(85.4)

	Year Ended December 31, 2022			
	Core local commerce	New initiatives	Unallocated items	Total
	(RMB in thousands)			
Revenues:				
Delivery services	70,063,908	–	–	70,063,908
Commission	55,143,008	1,366,691	–	56,509,699
Online marketing services	30,683,079	85,511	–	30,768,590
Other services and sales (including interest revenue)	4,869,027	57,743,724	–	62,612,751
Total revenues	160,759,022	59,195,926	–	219,954,948
Cost of revenues, operating expenses and unallocated items	(131,256,353)	(87,575,136)	(6,943,907)	(225,775,396)
Including: Delivery related costs	(80,189,722)	–	–	(80,189,722)
Operating (loss)/profit	29,502,669	(28,379,210)	(6,943,907)	(5,820,448)

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

	Year Ended December 31, 2021			
	Core local commerce	New initiatives	Unallocated items	Total
	(RMB in thousands)			
Revenues:				
Delivery services	57,102,328	–	–	57,102,328
Commission	47,988,724	1,656,835	–	49,645,559
Online marketing services	28,985,209	99,961	–	29,085,170
Other services and sales (including interest revenue)	2,569,176	40,725,764	–	43,294,940
Total revenues	136,645,437	42,482,560	–	179,127,997
Cost of revenues, operating expenses and unallocated items	(117,834,392)	(78,401,311)	(6,019,493)	(202,255,196)
Including: Delivery related costs	(72,064,077)	–	–	(72,064,077)
Operating (loss)/profit	18,811,045	(35,918,751)	(6,019,493)	(23,127,199)

	Year-over-year change			
	Core local commerce	New initiatives	Unallocated items	Total
	(Percentages %)			
Revenues:				
Delivery services	22.7	NA	NA	22.7
Commission	14.9	(17.5)	NA	13.8
Online marketing services	5.9	(14.5)	NA	5.8
Other services and sales (including interest revenue)	89.5	41.8	NA	44.6
Total revenues	17.6	39.3	NA	22.8
Cost of revenues, operating expenses and unallocated items	11.4	11.7	15.4	11.6
Including: Delivery related costs	11.3	NA	NA	11.3
Operating (loss)/profit	56.8	(21.0)	15.4	(74.8)

FINANCIAL SUMMARY AND OPERATION HIGHLIGHTS

OPERATING METRICS

	Twelve Months Ended		
	December 31, 2022	December 31, 2021	Year-over-year change
	(in millions, except for percentages)		
Number of Transacting Users	**677.9**	690.5	(1.8%)
Number of Active Merchants	**9.3**	8.8	5.1%
	(units, except for percentages)		
Average number of transactions per annual Transacting User	**40.8**	35.8	14.1%

	Three Months Ended		
	December 31, 2022	December 31, 2021	Year-over-year change
	(in millions, except for percentages)		
Number of On-demand Delivery transactions	**4,830.2**	4,253.1	13.6%

	Year Ended		
	December 31, 2022	December 31, 2021	Year-over-year change
	(in millions, except for percentages)		
Number of On-demand Delivery transactions	**17,670.2**	15,501.3	14.0%

CHAIRMAN'S STATEMENT

To our Shareholders:

Despite all the challenges in 2022, we largely expanded our goods retail business and further strengthened our service retail business, after fully upgrading to our "Retail + Technology" corporate strategy. Consumers increasingly recognized the convenience of food delivery and on-demand delivery of broader matrix of goods, which solidified our consumer mindshare and brand image. In addition, both our food delivery and in-store businesses effectively helped merchants to generate income and improve online operating efficiency. Meituan Grocery and Meituan Select also played an active role in ensuring a steady supply during the pandemic and facilitating the digital transformation of the agriculture industry. More importantly, our various businesses have created tremendous social value by working together with merchants and couriers during challenging times. Going forward, we remain committed to support our ecosystem partners and fulfilling our mission that "we help people eat better, live better".

On behalf of the Board, I am pleased to present the Group's annual results for the year ended December 31, 2022.

COMPANY FINANCIAL HIGHLIGHTS

During the full year of 2022, our revenues increased by 22.8% to RMB220.0 billion from RMB179.1 billion in 2021. Our Core local commerce segment achieved an operating profit of RMB29.5 billion in 2022, up by 56.8% from RMB18.8 billion in 2021. Meanwhile, the operating loss for our New initiatives segment narrowed to RMB28.4 billion in 2022 from RMB35.9 billion in 2021. Our adjusted EBITDA and adjusted net profit were RMB9.7 billion and RMB2.8 billion in 2022 respectively, turning from loss into profit on a year-over-year basis. We have also achieved operating cash inflow of RMB11.4 billion for the full year of 2022. We held cash and cash equivalents of RMB20.2 billion and short-term treasury investments of RMB91.9 billion as of December 31, 2022.

COMPANY BUSINESS HIGHLIGHTS

Core Local Commerce

In 2022, we achieved 17.6% revenue growth for the Core local commerce segment, despite negative impacts from the macro environment. Operating profit increased by 56.8% on a year-over-year basis to RMB29.5 billion, and operating margin improved to 18.4%, up from 13.8% in 2021.

For the fourth quarter of 2022, segment revenue increased by 17.4% on a year-over-year basis to RMB43.5 billion, and operating profit increased by 41.0% on a year-over-year basis to RMB7.2 billion, with operating margin improved to 16.6%, up from 13.8% in the same period of 2021.

CHAIRMAN'S STATEMENT

Our food delivery business posted steady, high-quality growth in 2022, with peak daily order volume surpassing 60 million. We iterated our business model and optimised our operations to meet broader consumer demand. In December 2022, as demand for food delivery increased significantly due to the spread of COVID, we introduced measures to ensure supply and delivery capacity, which led to double-digit year-over-year growth in order volume. Thanks to our continuous efforts, food delivery has become an increasingly indispensable service for consumers, and the number of Transacting Users as well as order frequency increased year over year in the fourth quarter of 2022. We also refined our operations and enhanced marketing programs across different consumption scenarios. Our promotional campaigns around the World Cup effectively incentivised food delivery consumptions during World Cup games. As a result, user stickiness from high-quality consumers and order contribution from high-frequency users both enhanced in the past several quarters. We also continued to iterate our membership program, and ensured the rights and interests of our membership subscribers, resulting in improvement in subsidy efficiency. On the merchant side, we deepened our merchant support programs to help them overcome operating difficulties and generate more revenue during the pandemic. We offered the "Food Delivery Manager" program for free to a wider range of merchants, leading to a significant increase in their monthly income. In addition, we onboarded more new merchants and accelerated the digital transformation of high-end restaurants. Thanks to our continuous iteration, our competitive advantage in merchants, consumers and delivery network further enhanced.

For Meituan Instashopping, the consumer mindshare of delivering everything to their doorsteps has further strengthened. We effectively leveraged our experience in the on-demand delivery and the location-based operational capabilities to satisfy consumers' growing demand of broad range of e-commerce products. In 2022, both annual Transacting Users and annual Active Merchants of Meituan Instashopping increased by nearly 30% on a year-over-year basis, and the highest daily order volume exceeded 11 million in December. On the demand side, we effectively met consumer needs across different scenarios, such as delivering last-minute holiday gifts or the New Year special purchases. We also delivered essential medications to satisfy consumers' urgent needs during the pandemic, and expanded the delivery distance to city-wide. We ensured stable supply of medication and medical equipment at fair prices, and worked with local pharmacies to provide certain COVID-19 drugs and 24/7 "fever consultation" services for consumers. Subsequently, daily order volume of medicine peaked at 5.8 million in the fourth quarter. On the supply side, we continued to grow and diversify our merchant base, and helped traditional offline retailers digitise their operations. We leveraged our operational capabilities and experience from high-tier cities and replicated our success to many low-tier cities. We also onboarded a large number of chain supermarkets, and formed strategic collaborations with selected brands. As a result, categories such as electronics, beauty and personal care, mother and child supplies, and pet care, all experienced significant growth during festival promotions and marketing campaigns. We have high confidence in the future growth potential of Meituan Instashopping, and we will continue to help offline retailers with digital operations going forward.

The delivery network is at the core of our food delivery and Meituan Instashopping businesses, and it has always been our competitive advantage. While we guarantee delivery capacity and improve efficiency, we also created more job opportunities and continued to improve our couriers' benefits and advocate for their interests. When delivery capacity was tight during the peak of the pandemic, we launched various measures to stabilise delivery capacity, including expanding efforts in courier recruitment, providing cross-region order dispatches and offering additional subsidies to couriers. During the pandemic, we also provided free accommodations and service stations and increased the supplies of personal protective equipment for the couriers. We proactively responded to the government's call to provide flexible employment opportunities, and participated in the pilot program of occupational injury insurance. In addition, we continuously optimised our order dispatch system and the courier performance assessment mechanism, while strengthening the safety and protection policies for the couriers. Moreover, we provided couriers with career development opportunities, through promotions, job rotations and continuing education courses. Going forward, we will continue to invest in the safety and welfare for the couriers and ensure a better working environment for them.

Our in-store, hotel and travel business has been negatively affected by the repeated COVID outbreaks and prolonged pandemic control measures during 2022. In the fourth quarter of 2022, the year-over-year decrease of the in-store, hotel and travel revenue due to the negative impact of the pandemic, was to a similar extent as that of the second quarter. Despite the external challenges, our annual Active Merchants of the in-store, hotel and travel business maintained healthy growth on a year-over-year basis in 2022. We not only enhanced the quality of our supply, but also expanded the service scope, especially in the "silver economy" categories, and quickly penetrated into the elderly market. We also explored the evolving consumption trend among young people, with categories such as fitness, medical care, and pet care all posting solid growth. In addition, we continued to stratify our merchant base and assist merchants with digital operations. For example, we offered specially-tailored tools for "Time-honored Brands", allowing them to upload visually appealing contents to our platform, and expanded their customer acquisition channels. In addition, we refined our self-pickup services in combination with merchant traffic support and joint-marketing programs, to help merchants overcome difficulties during the pandemic. On the consumer side, we held promotions to celebrate holidays and special events, which effectively boosted local consumptions and optimised supply on our platform. Going forward, we will continue to enhance supply, address new consumption habits, and incentivise transactions. We believe that our rich product and content matrix, along with our strong consumer mindshare, will solidify our core advantages in this business.

For the most of 2022, strict travel controls remained in place, resulting in a prolonged depression of demand for hotel and travel. Despite external challenges, we leveraged our competitive advantages in local accommodation and short-distance travel scenarios, and further optimised our products, services, and marketing strategies. In addition, we diversified our Hotel+X packaged tours, launched joint marketing events with theme parks and major IP attractions, and deepened our collaborations with hotel brands. Moreover, we efficiently captured demand and stimulated hotel reservations. For high-star hotels, we continuously enhanced supply, optimised our pricing strategies, and improved service quality. On the low-star front, we solidified our market leadership, expanded supply, and optimised the online solutions that better match consumer demand. For the fourth quarter of 2022, despite the persisting negative impact from pandemic control in October and November, after the pandemic control was lifted in December, travel demand and hotel room nights rebounded immediately. We have full confidence in the future growth potential of the domestic travel industry in China.

CHAIRMAN'S STATEMENT

New Initiatives

In 2022, revenues from the New initiatives segment increased by 39.3% on a year-over-year basis to RMB59.2 billion, mainly driven by growths from the goods retail businesses. Operating loss narrowed to RMB28.4 billion, while operating margin improved to negative 47.9%, primarily attributable to improvement in operating efficiency from the goods retail businesses.

For the fourth quarter of 2022, revenues from the New initiatives segment increased by 33.4% on a year-over-year basis to RMB16.7 billion. Operating loss for the segment decreased by 32.0% on a year-over-year basis to RMB6.4 billion, and operating margin improved sequentially to negative 38.2%.

For Meituan Select, after upgrading our brand positioning to "Next-day Supermarket", we enhanced our nationwide next-day logistics network to facilitate the circulation of agricultural products. We strengthened consumer perception of Meituan Select as a source of convenient, value-for-money products. We also remained focused on high-quality growth, maintained our market leadership, and improved efficiency through supply chain optimisation and fulfillment enhancement. Moreover, we actively responded to the government's call to ensure stable supply and logistics during the pandemic, and broadened our distribution channels for agricultural products. In addition, we helped farmers increase their incomes, and provided consumers with more quality SKUs and diverse selections of fresh produce. In the fourth quarter, GTV contribution from centralised procurement increased notably, and the number of pick-up stations in low-tier markets exceeded 1.1 million.

Meituan Grocery recorded robust growth, with improving operating efficiency in the fourth quarter of 2022, thanks to a surge in demand. We expanded supply and further strengthened consumer mindshare to purchase fresh produce, snacks, daily necessities, personal care, prepared meals, and more. Consequently, average ticket size and order frequency continued to grow. During the pandemic, we ensured supply for people from the affected regions, and guaranteed the delivery capacity to fulfill higher order volume. In addition, we established in-depth collaborations with local governments and farmers from the products' places of origin, and enhanced our "Locally-sourced Selected Product" program, which not only diversified our supply, but also helped farmers increase their income.

COMPANY OUTLOOK AND STRATEGY FOR 2023

Looking ahead to 2023, we will continue to implement our "Retail + Technology" corporate strategy, to provide consumers with rich selections of products and services, facilitate the recovery of local consumption, and create employment opportunities. While we optimise the on-demand delivery network, we continue to extend our product coverage from meals to non-meal categories, including groceries, daily necessities, medicines, and more, and will further strengthen consumer mindshare of convenience and being able to deliver everything to their doorsteps. On the merchant side, we will continue to optimise our comprehensive service offerings and online marketing tools, to help merchants improve operating efficiency and generate more income in the post-pandemic era. In addition, we will create a wide range of job opportunities while placing particular emphasis on the welfare and benefits of our couriers. Moreover, as we grow the goods retail businesses and continue to optimise our nationwide next-day logistics network, we will penetrate deeper into counties and villages, provide more diverse and cost-effective products for consumers from rural areas, improve fulfillment efficiency, and support the circulation of agricultural products. Furthermore, we are committed to innovate and leverage advanced technology, such as autonomous delivery vehicles and drones, to improve operating efficiency, bring more value for all the participants in our ecosystem, and continue to fulfill our mission that "we help people eat better, live better".

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our consumers, merchants, business partners, staff and management, and investors for their continuous trust and support. I would also like to thank wholeheartedly our couriers for their commitment and dedication. In 2023, we will continue to adhere our mission that "we help people eat better, live better", provide better value for our consumers and merchants, and contribute more to the broader society.

Wang Xing
Chairman

Hong Kong, March 24, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

The Fourth Quarter of 2022 Compared to the Fourth Quarter of 2021

The following table sets forth the comparative figures for the fourth quarter of 2022 and 2021:

	Unaudited Three Months Ended	
	December 31, 2022	December 31, 2021
	(RMB in thousands)	
Revenues	**60,128,939**	49,523,133
Including: Interest revenue	**409,525**	238,175
Cost of revenues	**(43,195,543)**	(37,540,530)
Gross profit	**16,933,396**	11,982,603
Selling and marketing expenses	**(10,766,926)**	(11,239,904)
Research and development expenses	**(5,242,928)**	(4,581,961)
General and administrative expenses	**(2,450,697)**	(2,435,083)
Net reversals of/(provisions for) impairment losses on financial and contract assets	**19,168**	(52,489)
Fair value changes of other financial investments at fair value through profit or loss	**187,942**	726,955
Other gains, net	**588,455**	594,023
Operating loss	**(731,590)**	(5,005,856)
Finance income	**147,391**	157,174
Finance costs	**(405,168)**	(331,672)
Share of losses of investments accounted for using the equity method	**(95,873)**	(163,855)
Loss before income tax	**(1,085,240)**	(5,344,209)
Income tax credits	**1,699**	5,058
Loss for the period	**(1,083,541)**	(5,339,151)
Non-IFRS measures:		
Adjusted EBITDA	**2,960,883**	(2,009,748)
Adjusted net profit/(loss)	**829,145**	(3,935,732)

Revenues

Our revenues increased by 21.4% to RMB60.1 billion for the fourth quarter of 2022 from RMB49.5 billion for the same period of 2021. We achieved revenue growth in both reportable segments.

The following table sets forth our revenues by segment and type for the fourth quarter of 2022 and 2021:

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

	Unaudited Three Months Ended December 31, 2021		
	Core local commerce	New initiatives	Total
	(RMB in thousands)		
Revenues			
Delivery services	14,990,397	–	14,990,397
Commission	12,878,761	438,259	13,317,020
Online marketing services	8,137,460	45,169	8,182,629
Other services and sales (including interest revenue)	1,027,220	12,005,867	13,033,087
Total	37,033,838	12,489,295	49,523,133

MANAGEMENT DISCUSSION AND ANALYSIS

Our revenues from the Core local commerce segment increased by 17.4% to RMB43.5 billion for the fourth quarter of 2022 from RMB37.0 billion for the same period of 2021. The growth in delivery services revenue on a year-over-year basis was mainly driven by the increase in the number of transactions and the optimised Transacting Users incentives strategy resulting in the decreased amount of revenue deduction in our food delivery and Meituan Instashopping businesses. The increase in commission revenue on a year-over-year basis was primarily attributable to the increase in the number of transactions and the average order value of our food delivery and Meituan Instashopping businesses, partially offset by the decreased GTV from our in-store, hotel & travel businesses due to pandemic. The decrease in online marketing services revenue on a year-over-year basis was mainly attributable to the decrease in the average revenue of quarterly online marketing Active Merchants of our in-store, hotel & travel businesses as their demands were significantly restrained due to the pandemic.

Our revenues from the New initiatives segment increased by 33.4% to RMB16.7 billion for the fourth quarter of 2022 from RMB12.5 billion for the same period of 2021, mainly due to the expansion of our goods retail businesses.

Costs and Expenses

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

	Unaudited Three Months Ended			
	December 31, 2022		December 31, 2021	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Costs and Expenses:				
Cost of revenues	**43,195,543**	**71.8%**	37,540,530	75.8%
Selling and marketing expenses	**10,766,926**	**17.9%**	11,239,904	22.7%
Research and development expenses	**5,242,928**	**8.7%**	4,581,961	9.3%
General and administrative expenses	**2,450,697**	**4.1%**	2,435,083	4.9%

Cost of Revenues

Our cost of revenues increased to RMB43.2 billion for the fourth quarter of 2022 from RMB37.5 billion for the same period of 2021, and decreased by 4.0 percentage points to 71.8% from 75.8% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to an increase in delivery related costs which was in line with the increase in the number of transactions of food delivery and Meituan Instashopping businesses, as well as the increased cost of revenues due to the expansion of our goods retail businesses. The decrease in cost of revenues as a percentage of revenues was mainly due to the improved gross margin of our food delivery, Meituan Instashopping and goods retail businesses.

Selling and Marketing Expenses

Our selling and marketing expenses decreased to RMB10.8 billion for the fourth quarter of 2022 from RMB11.2 billion for the same period of 2021, which was primarily attributable to the restrained promotion and advertising expenses as a result of effective cost control. The percentage of revenues was 17.9%, which decreased by 4.8 percentage points from 22.7% on a year-over-year basis, primarily because of effective cost control.

Research and Development Expenses

Our research and development expenses increased to RMB5.2 billion for the fourth quarter of 2022 from RMB4.6 billion for the same period of 2021, and decreased by 0.6 percentage points to 8.7% from 9.3% as a percentage of revenues on a year-over-year basis. The increase in the absolute amount of research and development expenses was mainly attributable to the increase in employee benefits expenses, and the decrease in research and development expenses as a percentage of revenues was primarily attributable to improved operating leverage.

General and Administrative Expenses

Our general and administrative expenses was RMB2.5 billion for the fourth quarter of 2022, remaining flat on a year-over-year basis, and decreased by 0.8 percentage points to 4.1% from 4.9% as a percentage of revenues. The decrease in general and administrative expenses as a percentage of revenues was mainly attributable to improved operating leverage.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Our net reversals of/(provisions for) impairment losses on financial and contract assets changed to net reversals of RMB19.2 million for the fourth quarter of 2022 from net provisions of RMB52.5 million for the same period of 2021, which reflected the change in expected credit losses for financial assets.

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

Our fair value changes of other financial investments at fair value through profit or loss was a gain of RMB187.9 million for the fourth quarter of 2022, compared to a gain of RMB727.0 million for the same period of 2021. The fluctuation was mainly driven by the fair value change of our investment portfolios on a year-over-year basis.

Other Gains, Net

Our other gains, net for the fourth quarter of 2022 was RMB588.5 million, compared to RMB594.0 million for the same period of 2021.

Operating Loss

As a result of the foregoing, our operating loss and operating margin for the fourth quarter of 2022 were RMB731.6 million and negative 1.2% respectively, compared to operating loss and operating margin of RMB5.0 billion and negative 10.1% for the same period of 2021.

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

	Unaudited Three Months Ended			
	December 31, 2022		December 31, 2021	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Core local commerce	**7,215,242**	**16.6%**	5,117,374	13.8%
New initiatives	**(6,365,020)**	**(38.2%)**	(9,361,668)	(75.0%)
Unallocated items	**(1,581,812)**	**NA**	(761,562)	NA
Total operating loss	**(731,590)**	**(1.2%)**	(5,005,856)	(10.1%)

Our operating profit from the Core local commerce segment increased to RMB7.2 billion for the fourth quarter of 2022 from RMB5.1 billion for the same period of 2021 and the operating margin increased by 2.8 percentage points to 16.6% from 13.8% on a year-over-year basis. The increase in operating profit was mainly attributable to the increase in gross profit of our food delivery and Meituan Instashopping businesses, partially offset by the decrease in the profit of our in-store, hotel & travel businesses due to the pandemic. The increase in operating margin was mainly attributable to the improved gross margin of our food delivery and Meituan Instashopping businesses, as well as our efforts in reducing cost and expense and improving operating efficiency of all businesses.

Our operating loss from the New initiatives segment decreased to RMB6.4 billion for the fourth quarter of 2022 from RMB9.4 billion for the same period of 2021, and the operating margin for this segment improved by 36.8 percentage points to negative 38.2% from negative 75.0% on a year-over-year basis. Both the improvements in operating loss and operating margin were primarily attributable to our efforts in reducing cost and expense and improving operating efficiency particularly in our goods retail businesses.

Share of Losses of Investments Accounted for Using the Equity Method

Our share of losses of investments accounted for using the equity method was RMB95.9 million for the fourth quarter of 2022, compared to RMB163.9 million for the same period of 2021. The loss for this quarter was primarily due to the financial results of our investees.

Loss for the Period

As a result of the foregoing, we had a loss of RMB1.1 billion for the fourth quarter of 2022, compared to a loss of RMB5.3 billion for the same period of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	Unaudited Three Months Ended	
	December 31, 2022	September 30, 2022
	(RMB in thousands)	
Revenues	**60,128,939**	62,618,892
Including: Interest revenue	**409,525**	197,535
Cost of revenues	**(43,195,543)**	(44,114,024)
Gross profit	**16,933,396**	18,504,868
Selling and marketing expenses	**(10,766,926)**	(10,886,422)
Research and development expenses	**(5,242,928)**	(5,414,371)
General and administrative expenses	**(2,450,697)**	(2,505,272)
Net reversals of/(provisions for) impairment losses on financial and contract assets	**19,168**	(284,035)
Fair value changes of other financial investments at fair value through profit or loss	**187,942**	(105,922)
Other gains, net	**588,455**	1,679,376
Operating (loss)/profit	**(731,590)**	988,222
Finance income	**147,391**	209,746
Finance costs	**(405,168)**	(474,728)
Share of (losses)/profits of investments accounted for using the equity method	**(95,873)**	485,362
(Loss)/profit before income tax	**(1,085,240)**	1,208,602
Income tax credits	**1,699**	8,209
(Loss)/profit for the period	**(1,083,541)**	1,216,811
Non-IFRS measures:		
Adjusted EBITDA	**2,960,883**	4,801,736
Adjusted net profit	**829,145**	3,526,579

Revenues

Our revenues decreased by 4.0% to RMB60.1 billion for the fourth quarter of 2022 from RMB62.6 billion for the third quarter of 2022. The decrease was primarily attributable to the negative impact from the pandemic and seasonality of our businesses.

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

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

	Unaudited Three Months Ended September 30, 2022		
	Core local commerce	New initiatives	Total
	(RMB in thousands)		
Revenues			
Delivery services	20,107,197	–	20,107,197
Commission	16,079,265	403,673	16,482,938
Online marketing services	8,637,608	25,821	8,663,429
Other services and sales (including interest revenue)	1,503,459	15,861,869	17,365,328
Total	46,327,529	16,291,363	62,618,892

MANAGEMENT DISCUSSION AND ANALYSIS

Our revenues from the Core local commerce segment decreased by 6.2% to RMB43.5 billion for the fourth quarter of 2022 from RMB46.3 billion for the third quarter of 2022. The decrease in delivery services revenue on a quarter-over-quarter basis was primarily attributable to the decrease in the number of On-demand Delivery transactions due to a combined impact from the pandemic and seasonality. The decrease in commission revenue on a quarter-over-quarter basis was primarily attributable to the decreased GTV from in-store, hotel & travel businesses due to the pandemic. For the online marketing services revenue, the decrease on a quarter-over-quarter basis was mainly attributable to the decrease in the average revenue of quarterly online marketing Active Merchants as their demands were restrained due to pandemic.

Our revenues from the New initiatives segment increased by 2.2% to RMB16.7 billion for the fourth quarter of 2022 from RMB16.3 billion for the third quarter of 2022. The revenues of our goods retail businesses continued to grow while the revenues of our bike sharing and e-moped sharing businesses were adversely affected due to the seasonality.

Costs and Expenses

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

	Unaudited Three Months Ended			
	December 31, 2022		September 30, 2022	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Costs and Expenses:				
Cost of revenues	**43,195,543**	**71.8%**	44,114,024	70.4%
Selling and marketing expenses	**10,766,926**	**17.9%**	10,886,422	17.4%
Research and development expenses	**5,242,928**	**8.7%**	5,414,371	8.6%
General and administrative expenses	**2,450,697**	**4.1%**	2,505,272	4.0%

Cost of Revenues

Our cost of revenues decreased to RMB43.2 billion for the fourth quarter of 2022 from RMB44.1 billion for the third quarter of 2022, and increased by 1.4 percentage points to 71.8% from 70.4% as a percentage of revenues. The decrease in amount was primarily attributable to the decreased cost of revenues of our Core local commerce segment which was in line with total revenue decrease due to the negative impact from the pandemic, partially offset by increased cost of revenues from our goods retail businesses which was in line with their revenue growth. The cost of revenues as a percentage of revenues increased on a quarter-over-quarter basis which was mainly attributable to higher couriers' incentives due to the impact from pandemic, partially offset by the improved gross margin of our goods retail businesses.

Selling and Marketing Expenses

Our selling and marketing expenses was RMB10.8 billion for the fourth quarter of 2022, remaining flat on a quarter-over-quarter basis, and increased by 0.5 percentage points to 17.9% from 17.4% as a percentage of revenues on a quarter-over-quarter basis, which was primarily driven by the increase in certain promotion and advertising expenses during holidays and festivals.

Research and Development Expenses

Our research and development expenses decreased to RMB5.2 billion for the fourth quarter of 2022 from RMB5.4 billion for the third quarter of 2022. The decrease in the absolute amount of research and development expenses was primarily due to effective cost control. The percentage of revenues remained flat at 8.7% on a quarter-over-quarter basis.

General and Administrative Expenses

Our general and administrative expenses was RMB2.5 billion and the percentage of revenues was 4.1% for the fourth quarter of 2022, both of which remained flat on a quarter-over-quarter basis.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Our net reversals of/(provisions for) impairment losses on financial and contract assets changed to net reversals of RMB19.2 million for the fourth quarter of 2022 from net provisions of RMB284.0 million for the third quarter of 2022, which reflected the change in expected credit losses for financial assets.

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

Our fair value changes of other financial investments at fair value through profit or loss was a gain of RMB187.9 million for the fourth quarter of 2022, compared to a loss of RMB105.9 million for the third quarter of 2022. The change was mainly driven by the fluctuation in the fair value of our investment portfolios.

Other Gains, Net

Our other gains, net decreased to RMB588.5 million for the fourth quarter of 2022 from RMB1.7 billion for the third quarter of 2022, which was mainly attributable to the decreased subsidies or tax benefits received, the decreased gains from investments, and the fluctuation of foreign exchange (losses)/gains on a quarter-over-quarter basis.

Operating (Loss)/Profit

As a result of the foregoing, our operating loss and operating margin for the fourth quarter of 2022 were RMB731.6 million and negative 1.2% respectively, compared to operating profit and operating margin of RMB988.2 million and 1.6% for the third quarter of 2022.

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

	Unaudited Three Months Ended			
	December 31, 2022		September 30, 2022	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Core local commerce	**7,215,242**	**16.6%**	9,321,293	20.1%
New initiatives	**(6,365,020)**	**(38.2%)**	(6,771,360)	(41.6%)
Unallocated items	**(1,581,812)**	**NA**	(1,561,711)	NA
Total operating (loss)/profit	**(731,590)**	**(1.2%)**	988,222	1.6%

Our operating profit from the Core local commerce segment decreased to RMB7.2 billion for the fourth quarter of 2022 from RMB9.3 billion for the third quarter of 2022. The operating margin for this segment decreased by 3.5 percentage points to 16.6% from 20.1% on a quarter-over-quarter basis. The decreases in operating profit and operating margin were mainly attributable to the impact from pandemic on our Core local commerce segment.

Our operating loss from the New initiatives segment was RMB6.4 billion for the fourth quarter of 2022, and our operating margin for this segment improved by 3.4 percentage points to negative 38.2% from negative 41.6% on a quarter-over-quarter basis. Both the decrease in operating loss and improvement in operating margin were mainly attributable to the continued narrowing of operating loss of our goods retail businesses resulting from the improved operating efficiency, partially offset by the increased operating loss of our bike sharing and e-moped sharing businesses resulting from the seasonality.

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

Our share of (losses)/profits of investments accounted for using the equity method was a loss of RMB95.9 million for the fourth quarter of 2022, compared to a profit of RMB485.4 million for the third quarter of 2022. The fluctuation was mainly driven by the change in the financial results of our investees.

(Loss)/Profit for the Period

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

The following table sets forth the comparative figures for the years ended December 31, 2022 and 2021:

	Year Ended	
	December 31, 2022	December 31, 2021
	(RMB in thousands)	
Revenues	**219,954,948**	179,127,997
Including: Interest revenue	**1,133,670**	1,000,004
Cost of revenues	**(158,201,969)**	(136,653,869)
Gross profit	**61,752,979**	42,474,128
Selling and marketing expenses	**(39,745,112)**	(40,683,166)
Research and development expenses	**(20,739,865)**	(16,675,595)
General and administrative expenses	**(9,771,810)**	(8,612,626)
Net provisions for impairment losses on financial and contract assets	**(468,620)**	(259,953)
Fair value changes of other financial investments at fair value through profit or loss	**(1,013,057)**	815,747
Other gains/(losses), net	**4,165,037**	(185,734)
Operating loss	**(5,820,448)**	(23,127,199)
Finance income	**657,908**	546,037
Finance costs	**(1,628,825)**	(1,130,935)
Share of profits of investments accounted for using the equity method	**35,848**	145,620
Loss before income tax	**(6,755,517)**	(23,566,477)
Income tax credits	**70,194**	30,279
Loss for the year	**(6,685,323)**	(23,536,198)
Non-IFRS measures:		
Adjusted EBITDA	**9,724,589**	(9,694,076)
Adjusted net profit/(loss)	**2,827,245**	(15,571,500)

Revenues

Our revenues increased by 22.8% to RMB220.0 billion in 2022 from RMB179.1 billion in 2021. The increase was primarily attributable to the revenue growth of our both reportable segments.

The following table sets forth our revenues by segment and type in 2022 and 2021:

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

	Year Ended December 31, 2021		
	Core local commerce	New initiatives	Total
	(RMB in thousands)		
Revenues			
Delivery services	57,102,328	–	57,102,328
Commission	47,988,724	1,656,835	49,645,559
Online marketing services	28,985,209	99,961	29,085,170
Other services and sales (including interest revenue)	2,569,176	40,725,764	43,294,940
Total	136,645,437	42,482,560	179,127,997

MANAGEMENT DISCUSSION AND ANALYSIS

Our revenues from the Core local commerce segment increased by 17.6% to RMB160.8 billion in 2022 from RMB136.6 billion in 2021. The growth in delivery services revenue on a year-over-year basis was mainly driven by the increase in the number of transactions and the optimised Transacting Users incentives strategy resulting in the decreased amount of revenue deduction in our food delivery and Meituan Instashopping businesses. The increase in commission revenue on a year-over-year basis was primarily attributable to the increase in the number of transactions and the average order value of our food delivery and Meituan Instashopping businesses, partially offset by the decreased GTV from our in-store, hotel & travel businesses due to pandemic. The increase in online marketing services revenue on a year-over-year basis was mainly attributable to the increase in the number of online marketing Active Merchants.

Our revenues from the New initiatives segment increased by 39.3% to RMB59.2 billion in 2022 from RMB42.5 billion in 2021, mainly due to the expansion of our goods retail businesses.

Costs and Expenses

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

	Year Ended			
	December 31, 2022		December 31, 2021	
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Costs and Expenses:				
Cost of revenues	**158,201,969**	**71.9%**	136,653,869	76.3%
Selling and marketing expenses	**39,745,112**	**18.1%**	40,683,166	22.7%
Research and development expenses	**20,739,865**	**9.4%**	16,675,595	9.3%
General and administrative expenses	**9,771,810**	**4.4%**	8,612,626	4.8%

Cost of Revenues

Our cost of revenues increased to RMB158.2 billion in 2022 from RMB136.7 billion in 2021, and decreased by 4.4 percentage points to 71.9% from 76.3% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to an increase in delivery related costs which was in line with the increase in the number of transactions of food delivery and Meituan Instashopping businesses, as well as the expansion of our goods retail businesses. The decrease in cost of revenues as a percentage of revenues was mainly due to the improved gross margin of our food delivery, Meituan Instashopping and goods retail businesses.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by RMB938.1 million to RMB39.7 billion in 2022 from RMB40.7 billion in 2021, and decreased by 4.6 percentage points to 18.1% from 22.7% as a percentage of revenues on a year-over-year basis. Both the decreases in the absolute amount of selling and marketing expenses and as a percentage of revenues were primarily attributable to the restrained Transacting User incentives, promotion and advertising expenses as a result of effective cost control.

Research and Development Expenses

Our research and development expenses increased to RMB20.7 billion in 2022 from RMB16.7 billion in 2021 and the percentage of revenues remained flat at 9.4% on a year-over-year basis. The increase in the absolute amount of research and development expenses was mainly driven by the increase in employee benefits expenses.

General and Administrative Expenses

Our general and administrative expenses increased to RMB9.8 billion in 2022 from RMB8.6 billion in 2021, and decreased by 0.4 percentage points to 4.4% from 4.8% as a percentage of revenues on a year-over-year basis. The increase in the absolute amount of general and administrative expenses was primarily driven by the increase in employee benefits expenses, and the decrease in general and administrative expenses as a percentage of revenues was mainly attributable to improved operating leverage.

Net Provisions for Impairment Losses on Financial and Contract Assets

Our net provisions for impairment losses on financial and contract assets increased to RMB468.6 million in 2022 from RMB260.0 million in 2021, and was 0.2% as a percentage of revenues, flat on a year-over-year basis. The increase in amount was mainly due to change in expected credit losses for financial assets.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Our fair value changes of other financial investments at fair value through profit or loss was a loss of RMB1.0 billion in 2022, compared to a gain of RMB815.7 million in 2021. The loss for this year was mainly driven by the fluctuation in the valuation of our investment portfolios.

Other Gains/(Losses), Net

Our other gains/(losses), net in 2022 was a gain of RMB4.2 billion, compared to a loss of RMB185.7 million in 2021. The change was primarily attributable to the increased subsidies or tax benefits received and the increased foreign exchange gains due to the depreciation of Renminbi against U.S. dollar in 2022, besides the fine imposed pursuant to China's Antimonopoly Law that occurred in 2021.

Operating Loss

As a result of the foregoing, our operating loss and operating margin in 2022 were RMB5.8 billion and negative 2.6% respectively, compared to operating loss and operating margin of RMB23.1 billion and negative 12.9% in 2021.

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

	Year Ended			
	December 31, 2022		December 31, 2021	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues
	(RMB in thousands, except for percentages)			
Core local commerce	**29,502,669**	**18.4%**	18,811,045	13.8%
New initiatives	**(28,379,210)**	**(47.9%)**	(35,918,751)	(84.5%)
Unallocated items	**(6,943,907)**	**NA**	(6,019,493)	NA
Total operating loss	**(5,820,448)**	**(2.6%)**	(23,127,199)	(12.9%)

Our operating profit from the Core local commerce segment increased to RMB29.5 billion in 2022 from RMB18.8 billion in 2021. The operating margin for this segment increased by 4.6 percentage points to 18.4% from 13.8% on a year-over-year basis. The increases in operating profit and operating margin were mainly attributable to the increased gross profit and gross margin of our food delivery and Meituan Instashopping businesses, as well as our efforts in reducing cost and expense and improving operating efficiency of all businesses.

Our operating loss from the New initiatives segment narrowed to RMB28.4 billion in 2022 from RMB35.9 billion in 2021, and the operating margin for this segment improved by 36.6 percentage points to negative 47.9% from negative 84.5% on a year-over-year basis. Both the improvements in operating loss and operating margin were primarily attributable to our efforts in reducing cost and expense and improving operating efficiency, particularly in our goods retail businesses.

Share of Profits of Investments Accounted for Using the Equity Method

Our share of profits of investments accounted for using the equity method was RMB35.8 million in 2022, compared to RMB145.6 million in 2021. The fluctuation was primarily due to the change in the financial results of our investees.

Loss for the Year

As a result of the foregoing, we had a loss of RMB6.7 billion in 2022, compared to a loss of RMB23.5 billion in 2021.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following tables set forth the reconciliations of our non-IFRS measures for the fourth quarter of 2022 and 2021, the third quarter of 2022 and the years ended December 31, 2022 and 2021, to the nearest measures prepared in accordance with IFRS.

	Unaudited Three Months Ended		
	December 31, 2022	December 31, 2021	September 30, 2022
		(RMB in thousands)	
(Loss)/profit for the period	**(1,083,541)**	(5,339,151)	1,216,811
Adjusted for:			
Share-based compensation expenses	**2,321,115**	1,634,141	2,445,766
Net gains from investments (Note (i))	**(390,604)**	(471,908)	(533,376)
Impairment and expense (reversal)/provision	**(238,687)**	(1,477)	321,969
Amortisation of intangible assets resulting from acquisitions	**117,779**	121,525	117,973
Tax effects on non-IFRS adjustments	**103,083**	121,138	(42,564)
Adjusted net profit/(loss)	**829,145**	(3,935,732)	3,526,579
Adjusted for:			
Income tax (credits)/expenses, except for tax effects on non-IFRS adjustments	**(104,782)**	(126,196)	34,355
Share of losses/(profits) of investments accounted for using the equity method not adjusted for adjusted net profit/(loss)	**150,781**	(107,445)	75,126
Finance income	**(147,391)**	(157,174)	(209,746)
Finance costs	**405,168**	331,672	474,728
Other gains, net not adjusted for adjusted net profit/(loss)	**(539,832)**	(577,770)	(1,600,566)
Amortisation of software and others	**16,038**	89,889	17,050
Depreciation on property, plant and equipment	**2,351,756**	2,473,008	2,484,210
Adjusted EBITDA	**2,960,883**	(2,009,748)	4,801,736

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

MANAGEMENT DISCUSSION AND ANALYSIS

	Year Ended	
	December 31, 2022	December 31, 2021
	(RMB in thousands)	
Loss for the year	**(6,685,323)**	(23,536,198)
Adjusted for:		
Fine imposed pursuant to China's Antimonopoly Law	**–**	3,442,440
Share-based compensation expenses	**8,742,962**	5,193,860
Net losses/(gains) from investments	**193,472**	(1,247,255)
Impairment and expense provision/(reversal)	**322,872**	(58,743)
Amortisation of intangible assets resulting from acquisitions	**471,372**	495,954
Tax effects on non-IFRS adjustments	**(218,110)**	138,442
Adjusted net profit/(loss)	**2,827,245**	(15,571,500)
Adjusted for:		
Income tax expenses/(credits), except for tax effects on non-IFRS adjustments	**147,916**	(168,721)
Share of losses/(profits) of investments accounted for using the equity method not adjusted for adjusted net profit/(loss)	**290,822**	(416,920)
Finance income	**(657,908)**	(546,037)
Finance costs	**1,628,825**	1,130,935
Other gains, net not adjusted for adjusted net profit/(loss)	**(3,771,253)**	(2,553,898)
Amortisation of software and others	**64,362**	321,090
Depreciation on property, plant and equipment	**9,194,580**	8,110,975
Adjusted EBITDA	**9,724,589**	(9,694,076)

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

Historically, our demand for cash was principally funded by capital contribution from Shareholders and financing through issuance and sale of equity and debt securities. We held cash and cash equivalents of RMB20.2 billion and short-term treasury investments of RMB91.9 billion as of December 31, 2022.

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

	Year Ended	
	December 31, 2022	December 31, 2021
	(RMB in thousands)	
Net cash flows generated from/(used in) operating activities	**11,411,448**	(4,011,457)
Net cash flows used in investing activities	**(14,713,569)**	(58,491,834)
Net cash flows (used in)/generated from financing activities	**(9,990,201)**	78,598,331
Net (decrease)/increase in cash and cash equivalents	**(13,292,322)**	16,095,040
Cash and cash equivalents at the beginning of the year	**32,513,428**	17,093,559
Exchange gains/(losses) on cash and cash equivalents	**937,500**	(675,171)
Cash and cash equivalents at the end of the year	**20,158,606**	32,513,428

Net Cash Flows Generated from Operating Activities

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

For the year ended December 31, 2022, net cash flows generated from operating activities was RMB11.4 billion, which was primarily attributable to our loss before income tax, as adjusted by (i) depreciation and amortisation, share-based compensation expenses and fair value changes and gains related to treasury investments, (ii) the changes in working capital, which primarily consisted of increase in certain current liabilities driven by business growth and payment of the fine imposed pursuant to China's Antimonopoly Law.

Net Cash Flows Used in Investing Activities

For the year ended December 31, 2022, net cash flows used in investing activities was RMB14.7 billion, which was mainly attributable to the net cash flows used in purchase of treasury investments and property, plant and equipment, as well as some other investments.

Net Cash Flows Used in Financing Activities

For the year ended December 31, 2022, net cash flows used in financing activities was RMB10.0 billion, which was mainly attributable to the repayments of borrowings' principal and interest and the payments of lease liabilities.

Gearing ratio

As of December 31, 2022, our gearing ratio, calculated as total borrowings and notes payable divided by total equity attributable to equity holders of the Company, was approximately 41%.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2022.

Investments Held

As of December 31, 2022, our investment portfolio amounted to approximately RMB33,977 million (December 31, 2021: RMB30,191 million) as recorded in the consolidated statement of financial position under various categories including:

- investments accounted for using the equity method;
- other financial investments at fair value through profit or loss; and
- other financial investments at fair value through other comprehensive income.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

The fair value of our stakes in listed investee entities amounted to RMB21,628 million as of December 31, 2022 (December 31, 2021: RMB30,022 million). There was no investment of which the carrying amount individually constituted 5% or more of our total assets as of December 31, 2022.

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the year ended December 31, 2022, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Foreign Exchange Risk

The functional currency of the Company is US dollars whereas the functional currency of the subsidiaries operating in the PRC is Renminbi. As of December 31, 2022, our cash and cash equivalents balance was mainly denominated in US dollars and Renminbi. We manage foreign exchange risk by performing periodic reviews of our net foreign exchange exposures and try to minimise these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary. We operate mainly in the PRC with most of the transactions settled in Renminbi. The management considers that the business is not exposed to any significant foreign exchange risk, as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities. As of December 31, 2022, we did not have significant foreign currency exposure from our operations.

Pledge of Assets

As of December 31, 2022, we did not pledge any assets for fund raising and we had some charges on our assets which are disclosed in Note 31 to the consolidated financial statements.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this report, as of December 31, 2022, we did not have other plans for material investments and capital assets.

Employees

As of December 31, 2022, we had a total of approximately 91,932 full-time employees. Substantially all of our employees are based in China, primarily at our headquarters in Beijing and Shanghai, with the rest in Shijiazhuang, Wuhan, Chengdu, Shenzhen and other cities.

As part of our recruiting and retention strategy, we offer employees competitive salaries, performance-based cash bonuses, and other incentives. We have adopted a training program, pursuant to which employees regularly receive trainings from management, technology, regulatory and other internal speakers and external consultants.

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

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

DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company as at the date of this annual report are set out as follows:

DIRECTORS

Executive Directors

Wang Xing (王興), aged 44, is a Co-founder, an executive Director, the Chief Executive Officer and Chairman of the Board. Wang Xing is responsible for the overall strategic planning, business direction and management of the Company. He oversees the senior management team. Wang Xing founded meituan.com in 2010 and currently holds directorship in various subsidiaries, Consolidated Affiliated Entities and operating entities of the Company.

Wang Xing has over 12 years of managerial and operational experience in the internet industry. Prior to co-founding the Company, he co-founded xiaonei.com (校內網), China's first college social network website in December 2005 and worked there as chief executive officer from December 2005 to April 2007. xiaonei.com (校內網) was sold to China InterActive Corp in October 2006 which was later renamed as Renren Inc. (NYSE Ticker: RENN). Wang Xing also co-founded fanfou.com (飯否網), a social media company specializing in microblogging, in May 2007 and was responsible for the management and operation of this company from May 2007 to July 2009. Wang Xing has served as a director of Li Auto Inc. (NASDAQ Ticker: LI) since July 2019 and Li Auto Inc. was listed on the Stock Exchange since August 12, 2021 (HKEx Stock Code: 2015) of which Wang Xing was appointed as its non-executive director.

Wang Xing received his bachelor's degree in electronic engineering from Tsinghua University in July 2001 and his master's degree in electrical engineering from University of Delaware in January 2005.

Mu Rongjun (穆榮均), aged 43, is a Co-founder, an executive Director and a Senior Vice President of the Company. He is responsible for the financial services and corporate affairs of the Company.

Mu Rongjun has over 12 years of managerial and operational experience in the internet industry. Prior to co-founding the Company, he worked as senior software engineer and project manager in Baidu, Inc. (NASDAQ Ticker: BIDU), the leading Chinese language internet search provider, from July 2005 to May 2007. Mu Rongjun was also a co-founder and the engineering director of fanfou.com (飯否網), a social media company specializing in microblogging, from May 2007 to July 2009.

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

Non-executive Directors

Wang Huiwen (王慧文), aged 44, is a Co-founder and a non-executive director (as re-designated from an executive Director to a non-executive Director on March 24, 2023, with effect from March 25, 2023) of the Company. He was responsible for the on-demand delivery and certain new initiatives of the Company. In December 2020, Wang Huiwen withdrew from his day-to-day duties in the Company, and continued to perform his director's duties by devoting himself to the strategic planning, organisational growth and talent development of the Company before the re-designation.

Wang Huiwen has over 12 years of managerial and operational experience in the internet industry. Prior to co-founding the Company, he co-founded xiaonei.com (校內網), China's first college social network website, in December 2005 and worked there as co-founder from December 2005 to October 2006. xiaonei.com (校內網) was sold to China InterActive Corp in October 2006 which was later renamed as Renren Inc. (NYSE Ticker: RENN). In January 2009, Wang Huiwen co-founded taofang.com (淘房網) and worked there from June 2008 to October 2010. Wang Huiwen has become an independent non-executive director of Kuaishou Technology (HKEx Stock Code: 1024) since February 2021.

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

Neil Nanpeng Shen (沈南鵬), aged 55, is a non-executive Director. He was appointed as Director in October 2015 and is responsible for providing advice on investment and business strategies, financial discipline, and other matters subject to the Board guidance and approval.

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

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

Neil Nanpeng Shen has been an independent non-executive director of Trip.com Group Ltd. (NASDAQ Ticker: TCOM; HKEx Stock Code: 9961), formerly known as Ctrip.com International, Ltd. (NASDAQ Ticker: CTRP) since October 2008, a non-executive director of Ninebot Limited (SHSE Stock Code: 689009) since July 2015, a non-executive director of Noah Holdings Limited (NYSE Ticker: NOAH; HKEx Stock Code: 6686) since January 2016 and a non-executive director of BTG Hotels Group Co., Ltd. (SHSE Stock Code: 600258) since January 2017.

Neil Nanpeng Shen served as a non-executive director of China Renaissance Holdings Limited (HKEx Stock Code: 1911) from June 2018 to June 2020, a non-executive director of 360 Security Technology Inc. (SHSE Stock Code: 601360) from February 2018 to May 2020 and an independent non-executive director of Pinduoduo Inc. (NASDAQ Ticker: PDD) from April 2018 to November 2022.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Orr Gordon Robert Halyburton, aged 60, is an independent non-executive Director. He was appointed as Director in September 2018 and is responsible for providing independent advice on financial and accounting affairs and corporate governance matters, and other matters subject to the Board guidance and approval.

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

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

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

Orr Gordon Robert Halyburton has been an independent non-executive director of EQT AB (Stockholm Stock Code: EQT) since September 2019. He was appointed as a non-executive director of Lenovo Group Limited (HKEx Stock Code: 992) in September 2015 and redesignated as an independent non-executive director in September 2016. He has also been an independent non-executive director of Swire Pacific Limited (HKEx Stock Code: 00019 and 00087) since August 2015, an independent non-executive director of Sondrel (Holdings) PLC (LSE Stock Code: SND) since October 2022 and a non-executive director of Fidelity China Special Situations PLC (LSE Stock Code: FCSS) since January 2023. He is also the vice chairman of China-Britain Business Council.

Leng Xuesong (冷雪松), aged 54, is an independent non-executive Director. He was appointed as Director in September 2018 and is responsible for providing independent advice on finance, executive compensation and corporate governance matters, and other matters subject to the Board guidance and approval.

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

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

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

Leng Xuesong served as non-executive director of China Huiyuan Juice Group Limited (HKEx Stock Code: 1886) from September 2006 to August 2007 and Zhongsheng Group Holdings Limited (HKEx Stock Code: 881) from August 2008 to June 2015. He served as non-executive director of Wuxi Pharmatech (Cayman) Inc. (NYSE Ticker: WX) from March 2008 to December 2015 and Soufun Holdings Ltd. (NYSE Ticker: SFUN) from September 2010 to December 2014. He also served as independent director of China Index Holdings Limited (NASDAQ Ticker: CIH) from July 2019 to May 2022.

Shum Heung Yeung Harry (沈向洋), aged 56, is an independent non-executive Director. He was appointed as Director in September 2018 and is responsible for providing independent advice on technology innovation, the global technology and internet industry trends, and other matters subject to the Board guidance and approval.

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

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

Mu Rongjun (穆榮均), aged 43, is a Co-founder, an executive Director and a Senior Vice President of the Company. For further details, please see the section headed "Directors and Senior Management — Executive Directors" above.

Wang Huiwen (王慧文), aged 44, is a Co-founder and a non-executive director of the Company (as re-designated from an executive Director to a non-executive Director of the Company on March 24, 2023, with effect from March 25, 2023). For further details, please see the section headed "Directors and Senior Management — Non-executive Directors" above.

Chen Shaohui (陳少暉), aged 42, is the Chief Financial Officer and a Senior Vice President of the Company. He is responsible for overseeing the Company's finance, strategic planning, investments and capital market activities.

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

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

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

Zhang Chuan (張川), aged 47, is a Senior Vice President and is responsible for overseeing the Company's in-store services business.

Before joining the Company in January 2017, Zhang Chuan worked as development manager in the Information Centre of Ministry of Education from September 1997 to 2005, senior product manager at Yonyou Software Co., Ltd. (SHSE Stock Code: 600588) from May 2005 to August 2006, product director at Baidu, Inc. (NASDAQ Ticker: BIDU) from August 2006 to October 2011, and executive vice president at 58.com Inc. (NYSE Ticker: WUBA) from October 2011 to December 2016.

Zhang Chuan received his bachelor's degree in computer science from Beijing Normal University in July 1997 and his master's degree in business administration from Tsinghua University in June 2003.

REPORT OF DIRECTORS

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

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

Meituan is a tech-driven retail company. It offers diversified daily goods and services in the broader retail by leveraging technology, including food delivery, in-store, hotel and travel booking and other services and sales. The activities of the principal subsidiaries are set out in Note 11 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of comprehensive income contained in this annual report.

DIVIDEND POLICY AND FINAL DIVIDENDS

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

The Board did not recommend the payment of a final dividend for the year ended December 31, 2022.

REPORT OF DIRECTORS

BUSINESS REVIEW

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

USE OF NET PROCEEDS

1. Use of Net Proceeds from Listing

The net proceeds from the IPO were approximately RMB28,516.2 million, after deducting the underwriting fees, commissions and related total expenses paid and payable by us in connection thereto ("**IPO Proceeds**"). As of December 31, 2022, we have utilised all of the IPO Proceeds in the manner set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

For the year ended December 31, 2022, the Company applied the IPO Proceeds for the following purposes:

	Use of proceeds as stated in the Prospectus *(in RMB'000)*	Utilisation as of 31 December 2021 *(in RMB'000)*	Utilisation as of 31 December 2022 *(in RMB'000)*	Net proceeds unutilised as of 31 December 2022 *(in RMB'000)*
35% to upgrade our technology and enhance our research and development capabilities	9,980,661	6,093,626	9,980,661	–
35% to develop new services and products	9,980,661	9,657,038	9,980,661	–
20% to selectively pursue acquisitions or investments in assets and businesses which are complementary to our business and are in line with our strategies	5,703,235	5,392,801	5,703,235	–
10% for working capital and general corporate purpose	2,851,617	1,808,786	2,851,617	–
	28,516,174	22,952,251	28,516,174	–

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

REPORT OF DIRECTORS

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

On April 27, 2021, the Company issued U.S. dollar-denominated zero coupon convertible bonds due 2027 in an aggregate principal amount of US$1,483,600,000 at an initial conversion price of HK$431.24 per Share (subject to adjustments) (the "**2027 Bonds**") and U.S. dollar-denominated zero coupon convertible bonds due 2028 in an aggregate principal amount of US$1,500,000,000 at an initial conversion price of HK$431.24 per Share (subject to adjustments) (the "**2028 Bonds**"). The Company intends to use the net proceeds of the 2027 Bonds and 2028 Bonds, approximately US$2,971.5 million in total, for technology innovations, including the research and development of autonomous delivery vehicles, drones delivery, and other cutting-edge technology, and general corporate purposes. During the Reporting Period, approximately US$1,037.0 million of the net proceeds of the 2027 Bonds and 2028 Bonds have been utilised for technology innovations, and as of December 31, 2022 and 2021, US$1,548.9 million and US$2,585.9 million remained unutilised, respectively. The Company expects to fully utilise the residual amount of the net proceeds in accordance with such intended purposes within 5 years from the issuance of the 2027 Bonds and 2028 Bonds. There has been no change in the intended use of net proceeds as previously disclosed. For further details, please refer to the announcements of the Company dated April 20, 2021, April 27, 2021 and April 28, 2021.

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

The 2021 Placing and Subscription was completed on April 22, 2021. An aggregate of 187,000,000 placing Shares have been successfully placed to not less than six independent placees (the "**2021 Placing and Subscription**") and accordingly 187,000,000 subscription Shares were allotted and issued by the Company to Tencent Mobility Limited. The net proceeds raised from the 2021 Placing and Subscription were approximately US$6.6 billion. The Company intends to use the net proceeds for technology innovations, including the research and development of autonomous delivery vehicles, drones delivery, and other cutting-edge technology, and general corporate purposes. During the Reporting Period, approximately US$3.0 billion of the net proceeds of the 2021 Placing and Subscription have been utilised for technology innovations and general corporate purposes, and as of December 31, 2022 and 2021, US$3.6 billion and US$6.6 billion remained unutilised, respectively. The Company expects to fully utilise the residual amount of the net proceeds in accordance with such intended purposes within 5 years from the completion of the 2021 Placing and Subscription. There has been no change in the intended use of net proceeds as previously disclosed. For further details, please refer to the Company's announcements dated April 20, 2021, April 27, 2021 and April 28, 2021.

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

The Tencent Subscription was completed on July 13, 2021 and an aggregate of 11,352,600 Shares were allotted and issued by the Company to Tencent Mobility Limited (the "**Tencent Subscription**"). The net proceeds raised from the Tencent Subscription were approximately US$400.0 million. The Company intends to use the net proceeds for technology innovations, including the research and development of autonomous delivery vehicles, drones delivery, and other cutting-edge technology, and general corporate purposes. As of December 31, 2022, we have not utilised any of the net proceeds of the Tencent Subscription. The Company expects to fully utilise the residual amount of the net proceeds in accordance with such intended purposes within 5 years from the completion of the Tencent Subscription. There has been no change in the intended use of net proceeds as previously disclosed. For further details, please refer to the Company's announcements dated April 20, 2021, April 27, 2021, April 28, 2021 and July 13, 2021.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2022, the Group's five largest customers accounted for less than 30% of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2022, the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

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

REPORT OF DIRECTORS

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company's reserves available for distribution, amounted to approximately RMB316.7 billion.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2022 are set out in Note 31 to the consolidated financial statements.

ISSUANCE OF DEBT SECURITIES

For the year ended December 31, 2022, the Company did not issue any debt security.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Wang Huiwen (王慧文) *(redesignated from an executive Director to a non-executive Director with effect from March 25, 2023)*
Mr. Lau Chi Ping Martin (劉熾平) *(resigned on November 16, 2022)*
Mr. Neil Nanpeng Shen (沈南鵬)

Independent Non-executive Directors

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

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

DIRECTORS AND SENIOR MANAGEMENT

On November 16, 2022, Mr. Lau Chi Ping Martin resigned as a non-executive director with immediate effect, due to distribution of Class B Shares held by Tencent to its shareholders, and on March 24, 2023, Mr. Wang Huiwen was re-designated from an executive Director to a non-executive Director with effect from March 25, 2023, as he would like to devote more time to his other commercial and personal affairs.

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" of this annual report. Save as disclosed in this annual report, no other changes in the information of directors and chief executive which shall be subject to disclosure according to Rule 13.51B(1) of the Listing Rules since the date of publication of 2022 interim report of the Company.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors, and the Company considers such Directors to be independent during the Reporting Period.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company. Pursuant to this contract, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board, upon which the service contracts were automatically renewed. Either party has the right to give not less than three months' written notice to terminate the contract. No annual director's fees are payable to the executive Directors under the current arrangement.

Each of the non-executive Directors has entered into an appointment letter with the Company. Their appointment as a Director shall continue for a term of three years unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. On April 12, 2021, Neil Shen Nanpeng entered into an appointment letter with the Company on similar terms for three years, and on March 25, 2023, Wang Huiwen, who has been redesignated from an executive director to a non-executive director entered into an appointment letter on similar terms. Under these appointment letters, the non-executive Directors are not entitled to receive annual salaries in their capacity as non-executive Directors. The non-executive Directors have not received any remuneration for the year ended December 31, 2022.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of their appointments shall be three years unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. On April 12, 2021, each of the independent non-executive Directors entered into an appointment letter with the Company for three years, under which each of the independent non-executive Directors will receive 1) an annual fixed cash compensation of RMB500,000 per annum, 2) 15,000 RSUs for the first year under the new term and 3) a share based compensation in the form of RSUs in the amount of RMB1,000,000 per annum for the second and third year.

REPORT OF DIRECTORS

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

Details of the emoluments of the Directors during the Reporting Period are set out in Note 8 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Saved as disclosed in this annual report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee.

The Directors and the senior management personnel are eligible participants of the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors, past Directors or the five highest paid individuals during the Reporting Period, as an inducement to join, or upon joining the Group, or as compensation for the loss of office.

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

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

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

As of December 31, 2022, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Interests of Directors and Chief Executives in the Company

Name of Director or chief executive	Nature of interest[1]	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares[7]
WANG Xing[2]	Beneficiary and founder of a Trust (L)	Trust	489,600,000 Class A Shares	76.39%
	Interest in controlled corporation (L)	Songtao Limited	489,600,000 Class A Shares	76.39%
	Interest in controlled corporation (L)	Crown Holdings	489,600,000 Class A Shares	76.39%
	Interest in controlled corporation (L)	Shared Patience	26,269,783 Class A Shares	4.10%
			318 Class B Shares	0.00%
	Interest in controlled corporation (L)	WAFO Global Inc.	1,121 Class B Shares	0.00%
	Interest in controlled corporation (L)	WangXing Foundation	47,813,542 Class B Shares	0.86%

REPORT OF DIRECTORS

Name of Director or chief executive	Nature of interest[1]	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares[7]
MU Rongjun[3]	Beneficiary and founder of a Trust (L)	Trust	88,650,000 Class A Shares	13.83%
			30,000,000 Class B Shares	0.54%
	Interest in controlled corporation (L)	Day One Holdings Limited	88,650,000 Class A Shares	13.83%
			30,000,000 Class B Shares	0.54%
	Interest in controlled corporation (L)	Charmway Enterprises	88,650,000 Class A Shares	13.83%
			30,000,000 Class B Shares	0.54%
	Interest in controlled corporation (L)	Shared Vision	7,996,668 Class B Shares	0.14%
	Beneficial interest (L)	—	5,166,665 Class B Shares	0.09%
WANG Huiwen[4]	Beneficiary and founder of a Trust (L)	Trust	36,400,000 Class A Shares	5.68%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Aim Mars Investment Limited	36,400,000 Class A Shares	5.68%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Kevin Sunny	36,400,000 Class A Shares	5.68%
			2,134,660 Class B Shares	0.04%
	Interest in controlled corporation (L)	Galileo Space Limited	5,321,335 Class B Shares	0.10%
	Beneficial interest (L)	—	11,088,004 Class B Shares	0.20%

Name of Director or chief executive	Nature of interest[1]	Relevant company	Number and class of securities	Approximate percentage of interest in each class of Shares[7]
SHEN Nanpeng Neil[5]	Interest in controlled corporations (L)	Sequoia Capital China Funds, Sequoia Capital Global Growth Funds and Other Controlled Entities	138,818,950 Class B Shares	2.50%
	Beneficial interest (L)	—	9,388,900 Class B Shares	0.17%
ORR Gordon Robert Halyburton[6]	Beneficial interest (L)	—	72,914 Class B Shares	0.00%
LENG Xuesong[6]	Beneficial interest (L)	—	72,914 Class B Shares	0.00%
SHUM Heung Yeung Harry[6]	Beneficial interest (L)	—	72,914 Class B Shares	0.00%

Notes:

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

(2) Crown Holdings is wholly owned by Songtao Limited. The entire interest in Songtao Limited is held through a trust which was established by Wang Xing (as settlor) for the benefit of Wang Xing and his family. Wang Xing is deemed to be interested in the 489,600,000 Class A Shares held by Crown Holdings under the SFO. Shared Patience and WAFO Global Inc. are wholly owned by Wang Xing. On June 3, 2021, Shared Patience Inc converted 57,319,000 Class A Shares into Class B Shares, which were then transferred to WangXing Foundation, a foundation founded by Wang Xing as an irrevocable philanthropic foundation devoted exclusively to philanthropic purposes. On the same day, WangXing Foundation transferred 9,354,458 Class B Shares to an independent third party for philanthropic purpose.

(3) Charmway Enterprises is wholly owned by Day One Holdings Limited. The entire interest in Day One Holdings Limited is held through a trust which was established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family. Mu Rongjun is deemed to be interested in the 88,650,000 Class A Shares and 30,000,000 Class B Shares held by Charmway Enterprises under the SFO. Shared Vision is wholly owned by Mu Rongjun. On November 30, 2022, Charmway Enterprises converted 30,000,000 Class A Shares into Class B Shares, and Shared Vision converted 7,330,000 Class A Shares into Class B Shares. Mu Rongjun was granted RSUs equivalent to 1,000,000 Class B Shares and options with respect to 5,000,000 Class B Shares under the Pre-IPO ESOP subject to vesting/exercise. As of December 31, 2022, 666,668 Class B Shares were issued to Shared Vision with respect to the vesting of 666,668 RSUs granted to Mu Rongjun under the Pre-IPO ESOP.

REPORT OF DIRECTORS

(4) Kevin Sunny is wholly owned by Aim Mars Investment Limited. The entire interest in Aim Mars Investment Limited is held through a trust established by Wang Huiwen (as settlor) for the benefit of Wang Huiwen and his family. Wang Huiwen is deemed to be interested in the 36,400,000 Class A Shares held by Aim Mars Investment Limited under the SFO. Galileo Space Limited is wholly-controlled by Wang Huiwen. Wang Huiwen was granted RSUs equivalent to 15,700,000 Class B Shares, and options with respect to 7,578,600 Class B Shares under the Pre-IPO ESOP. As at December 31, 2022, (i) 972,160 Class B Shares were issued to Kevin Sunny with respect to the exercise of 972,160 share options; and 1,162,500 Class B Shares were issued to Kevin Sunny with respect to the vesting 1,162,500 RSUs under the Pre-IPO ESOP; (ii) 1,550,500 Class B Shares were issued to Galileo Space Limited with respect to the exercise of 1,550,500 share options; and 6,770,835 Class B Shares were issued to Galileo Space Limited with respect to the vesting 6,770,835 RSUs under the Pre-IPO ESOP.

(5) Sequoia Capital China Funds refers to Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P., Sequoia Capital China Principals Fund I, L.P., Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P., Sequoia Capital China Principals Fund II, L.P., Sequoia Capital 2010 CV Holdco, Ltd., SCC Venture V Holdco I, Ltd., SCC Venture VI Holdco, Ltd., SCC Venture VI Holdco B, Ltd., SCC Growth 2010-Top Holdco, Ltd., SCC Growth IV Holdco A, Ltd. and Sequoia Capital China Growth Fund IV, L.P. (which hold approximately 0.25%, 0.03%, 0.04%, 0.77%, 0.02%, 0.13%, 0.20%, 0.002%, 0.01%, 0.01%, 0.30%, 0.02% and 0.02%, respectively, of the outstanding Shares), and Sequoia Capital Global Growth Funds refers to Sequoia Capital Global Growth Fund, L.P., Sequoia Capital Global Growth Principals Fund, L.P. and SC GGFII Holdco, Ltd. (which hold approximately 0.12%, 0.003% and 0.16%, respectively, of the outstanding Shares). The Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds may act together with respect of the holding, disposal and casting of voting rights of the Shares.

The general partner of each of Sequoia Capital China I, L.P., Sequoia Capital China Partners Fund I, L.P. and Sequoia Capital China Principals Fund I, L.P. is Sequoia Capital China Management I, L.P. ("**SCC Management I**"). The general partner of each of Sequoia Capital China II, L.P., Sequoia Capital China Partners Fund II, L.P. and Sequoia Capital China Principals Fund II, L.P. is Sequoia Capital China Management II, L.P. ("**SCC Management II**"). The sole shareholder of Sequoia Capital 2010 CV Holdco, Ltd. is Sequoia Capital China Venture 2010 Fund, L.P., whose general partner is SC China Venture 2010 Management, L.P. ("**SCCV 2010 Management**"). The sole shareholder of SCC Venture V Holdco I, Ltd. is Sequoia Capital China Venture Fund V, L.P., whose general partner is SC China Venture V Management, L.P. ("**SCCV V Management**"). The sole shareholder of each of SCC Venture VI Holdco, Ltd. and SCC Venture VI Holdco B, Ltd. is Sequoia Capital China Venture Fund VI, L.P., whose general partner is SC China Venture VI Management, L.P. ("**SCCV VI Management**"). The controlling shareholder of SCC Growth 2010-Top Holdco, Ltd. is Sequoia Capital China Growth 2010 Fund, L.P. ("**China Growth Fund 2010**"), whose general partner is SC China Growth 2010 Management, L.P. ("**SCCGF 2010 Management**"). In respect of the casting of votes held by China Growth Fund 2010 in SCC Growth 2010-Top Holdco, Ltd., China Growth Fund 2010 is accustomed to act in accordance with the instructions of Sequoia Capital China Growth Fund I, L.P., whose general partner is Sequoia Capital China Growth Fund Management I, L.P. ("**SCCGF Management I**"). The sole shareholder of SCC Growth IV Holdco A, Ltd. is Sequoia Capital China Growth Fund IV, L.P., whose general partner is SC China Growth IV Management, L.P. ("**SCCGF IV Management**" and, together with SCC Management I, SCC Management II, SCCV 2010 Management, SCCV V Management, SCCV VI Management, SCCGF 2010 Management and SCCGF Management I, collectively, the "**General Partners**"). The general partner of each of the General Partners is SC China Holding Limited, which is a wholly owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited, and has a beneficial interest of 9,388,900 Class B Shares. Other Controlled Entities refers to URM Management Limited and N&J Investment Holdings Limited (which hold approximately 0.00004% and 0.16%, respectively, of the outstanding Shares) and are controlled by Neil Nanpeng Shen.

In view of the above, the Sequoia Capital China Funds and the Sequoia Capital Global Growth Funds are deemed to be interested in the Shares held by each other and by Neil Nanpeng Shen and Other Controlled Entities and vice versa; and is therefore each deemed to be interested in 2.39% interest in the share capital of the Company (or 2.67% of the total issued Class B Shares).

(6) Each of the independent non-executive Directors, namely Orr Gordon Robert Halyburton, Leng Xuesong and Shum Heung Yeung Harry was granted RSUs equivalent to 72,914 Class B Shares under the Post-IPO Share Award Scheme.

(7) As at December 31, 2022, the Company had 6,192,972,690 issued Shares in total, comprising of 640,919,783 Class A Shares and 5,552,052,907 Class B Shares. The above calculation is based on the total number of relevant class of Shares or the total number of Shares in issue as of December 31, 2022.

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

None of the Directors or chief executives of the Company had interests and short positions in shares, underlying shares or debentures in associated corporations of the Company as of December 31, 2022.

Save as disclosed above, as of December 31, 2022, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF DIRECTORS

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

As of December 31, 2022, to the best knowledge of the Directors, the following persons had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholder	Capacity/Nature of interest[1]	Number and class of Shares held	Approximate percentage of interest in each class of Shares[5]
Class A Shares – Wang Xing			
Crown Holdings[2]	Beneficial interest (L)	489,600,000 Class A Shares	76.39%
Share Patience[2]	Beneficial interest (L)	26,269,783 Class A Shares	4.10%
Songtao Limited[2]	Interest in controlled corporation (L)	489,600,000 Class A Shares	76.39%
TMF (Cayman) Ltd.	Trustee (L)	489,600,000 Class A Shares	76.39%
Wang Xing	Beneficiary of a trust[2] (L)	489,600,000 Class A Shares	76.39%
	Founder of a trust[2] (L)		
	Interest in controlled corporation[2] (L)	489,600,000 Class A Shares	76.39%
		26,269,783 Class A Shares	4.10%
Class A Shares – Mu Rongjun			
Charmway Enterprises[3]	Beneficial interest (L)	88,650,000 Class A Shares	13.83%
Day One Holdings Limited[3]	Interest in controlled corporation (L)	88,650,000 Class A Shares	13.83%
TMF (Cayman) Ltd.	Trustee (L)	88,650,000 Class A Shares	13.83%
Mu Rongjun	Beneficiary of a trust[3] (L)	88,650,000 Class A Shares	13.83%
	Founder of a trust[3] (L)	88,650,000 Class A Shares	13.83%
Class B Shares – Tencent			
Huai River Investment Limited[4]	Beneficial interest (L)	623,420,905 Class B Shares	11.23%
Tencent Mobility Limited[4]	Beneficial interest (L)	395,308,305 Class B Shares	7.12%
Morespark Limited[4]	Beneficial interest (L)	8,850,245 Class B Shares	0.16%
Great Summer Limited[4]	Beneficial interest (L)	25,000,000 Class B Shares	0.45%
THL A Limited[4]	Beneficial interest (L)	559,594 Class B Shares	0.01%
THL A25 Limited[4]	Beneficial interest (L)	12,912 Class B Shares	0.00%
Distribution Pool Limited[4]	Beneficial interest (L)	1,018,420 Class B Shares	0.02%

Notes:

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

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

(3) Charmway Enterprises is wholly owned by Day One Holdings Limited which is in turn wholly owned by TMF (Cayman) Ltd. The entire interest in Day One Holdings Limited is held by TMF (Cayman) Ltd. as trustee for a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family. Mu Rongjun is deemed to be interested in the 88,650,000 Class A Shares held by Charmway Enterprises under the SFO.

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

(5) As at December 31, 2022, the Company had 6,192,972,690 issued Shares in total, comprising of 640,919,783 Class A Shares and 5,552,052,907 Class B Shares. The above calculation is based on the total number of relevant class of Shares or the total number of Shares in issue as of December 31, 2022.

REPORT OF DIRECTORS

DILUTION EFFECT OF THE CONVERSION OF CONVERTIBLE BOND

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

If all outstanding 2027 Bonds and 2028 Bonds were converted as at December 31, 2022, the dilutive impact on the then number of issued shares of the Company and the respective shareholdings of the substantial shareholders of the Company will be as follows:

	As at the date of 31 December 2022		Assuming the 2027 Bonds are fully converted into Class B Shares (subject to adjustment) at the initial 2027 CB Conversion Price of HK$431.24 per Share		Assuming the 2028 Bonds are fully converted into Class B Shares (subject to adjustment) at the initial 2028 CB Conversion Price of HK$431.24 per Share		Assuming the 2027 Bonds and the 2028 Bonds are fully converted into Class B Shares (subject to adjustment) at the initial 2027 CB Conversion Price of HK$431.24 per Share and 2028 CB Conversion Price of HK$431.24 per Share, respectively	
Shareholders	*Number of Shares*	*Approximately* %	*Number of Shares*	*Approximately* %	*Number of Shares*	*Approximately* %	*Number of Shares*	*Approximately* %
Crown Holdings	489,600,000	7.91%	489,600,000	7.87%	489,600,000	7.87%	489,600,000	7.84%
Charmway Enterprises	118,650,000	1.92%	118,650,000	1.91%	118,650,000	1.91%	118,650,000	1.90%
Huai River Investment Limited	623,420,905	10.07%	623,420,905	10.02%	623,420,905	10.02%	623,420,905	9.98%
2027 CB Bondholders	0	0.00%	26,734,628	0.43%	0	0.00%	26,734,628	0.43%
2028 CB Bondholders	0	0.00%	0	0.00%	27,030,158	0.43%	27,030,158	0.43%
Other Shareholders	4,961,301,785	80.10%	4,961,301,785	79.77%	4,961,301,785	79.77%	4,961,301,785	79.42%
Total:	6,192,972,690	100.00%	6,219,707,318	100.00%	6,220,002,848	100.00%	6,246,737,476	100.00%

Due to the loss for the year ended December 31, 2022, the conversion of the convertible bonds would have anti-dilutive effect on the diluted loss per share. Therefore, basic and diluted loss per share for the year ended December 31, 2022 were the same. For further details, please refer to Note 14 to the consolidated financial statements.

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

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

PRE-IPO ESOP

The Pre-IPO ESOP was approved and adopted pursuant to the written resolutions of all the then shareholders of the Company dated October 6, 2015. The Pre-IPO ESOP commenced on October 6, 2015 and will expire on the tenth anniversary of the commencement date. The following is a summary of certain principal terms of the Pre-IPO ESOP.

Purpose

The purpose of the Pre-IPO ESOP is to promote the success and enhance the value of the Company by linking the personal interests of the Directors, employees and consultants to those of the shareholders of the Company and by providing such individuals with an incentive for outstanding performance to generate superior returns to the shareholders of the Company. The Pre-IPO ESOP is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of Directors, employees and consultants upon whose judgment, interest, contribution and special effort the successful conduct of the Company's operation is largely dependent.

Eligible Participants

Those eligible to participate in the Pre-IPO ESOP include employees, consultants and Directors, as determined by a committee authorized by the Board (the "**Committee**"). Subject to the provisions of the Pre-IPO ESOP, the Committee may, from time to time, select from among all eligible individuals (the "**Participants**") to whom awards in the form of options ("**Options**"), restricted share awards ("**Restricted Shares**") and restricted share units ("**RSU**") (collectively "**Awards**") shall be granted and shall determine the nature and amount of each option. No individual shall have any right to be granted an Award pursuant to the Pre-IPO ESOP.

Maximum Number of Shares

The maximum aggregate number of Shares which may be issued is 683,038,063, subject to any adjustments for other dilutive issuances. No share options or RSUs may be granted under the Pre-IPO ESOP after the Listing.

Administration

The Pre-IPO ESOP is administered by the Board or the Committee to whom the Board shall delegate the authority to grant or amend Awards to Participants other than any of the Committee members, independent Directors and executive officers of the Company. Reference to the Committee shall refer to the Board in absence of the Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office, shall conduct the general administration of the Pre-IPO ESOP if required by applicable laws, and with respect to Awards granted to the Committee members, independent Directors and executive officers of the Company and for purposes of such Awards the term "Committee" as used in the Pre-IPO ESOP shall be deemed to refer to the Board.

REPORT OF DIRECTORS

Grant of Awards

The Committee is authorized to grant Awards to Participants in accordance with the terms of the Pre-IPO ESOP. Awards granted will be evidenced by an agreement ("**Award Agreement**") between the Company and the Participant. The Award Agreement includes additional provisions specified by the Committee. The Committee can determine the terms and conditions of the Award, including the grant or purchase price of Awards. As disclosed in the Prospectus, the Company would not grant further share options and RSUs under the Pre-IPO ESOP after the Listing.

Options

i. Exercise price

The Committee shall determine the exercise price per Share subject to an Option, which may be either a fixed price or a variable price related to the fair market value of the Shares. The exercise price per Share shall be set forth in the Award Agreement. The exercise price per Share subject to an Option may be adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by applicable laws, a re-pricing of Options mentioned in the preceding sentence shall be effective without the approval of the Shareholders or the approval of the relevant Participants. Notwithstanding the foregoing, the exercise price per Share subject to an Option under an Award Agreement shall not be increased without the approval of the relevant Participants.

ii. Time and conditions of exercise

The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; provided, however, that the term of any Option granted under the Pre-IPO ESOP shall not exceed ten years, except as amended, modified or terminated by the Board or the Committee. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised. The Option may not be exercised until vested.

iii. Payment

The Committee shall determine the methods by which the exercise price of an Option may be paid and the methods by which Shares will be delivered or deemed to be delivered to the Participants. Forms of payment may include, without limitation, (i) cash or check denominated in U.S. Dollars, (ii) to the extent permissible under the applicable laws, cash or check in Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a fair market value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (v) the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; provided, however, that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a fair market value equal to the exercise price or (vii) any combination of the foregoing.

RSUs

i. Performance objectives and other terms

The Committee, in its discretion, may set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of RSUs that will be paid out to the Participants.

ii. Form and timing of payment of RSUs

At the time of grant, the Committee shall specify the date or dates on which the RSUs shall become fully vested and non-forfeitable. Upon vesting, the Committee, in its sole discretion, may pay RSUs in the form of cash, Shares or a combination thereof.

Outstanding Share Options Granted under the Pre-IPO ESOP

Up to the Listing Date, the Company has granted share options under the Pre-IPO ESOP to 4,584 grantees (including Directors, senior management, other connected persons of the Company and other employees of the Company) to subscribe for an aggregate of 259,325,919 Shares and the Company has not granted further share options under the Pre-IPO ESOP after the Listing Date. The exercise price of the share options under the Pre-IPO ESOP is between nil to US$5.18.

The table below shows the details of share options granted to the Directors and other employees under the Pre-IPO ESOP.

Name	Date of Grant	Vesting Period[1]	Exercise Price	Number of Shares underlying options outstanding as of January 1, 2022	Number of options exercised during the Reporting Period and the exercise price	Number of options lapsed during the Reporting Period	Number of options cancelled during the Reporting Period	Number of Shares underlying options outstanding as of December 31, 2022
Directors								
Mu Rongjun	July 1, 2017 to July 1, 2018	6 years	US$3.86-US$5.18	5,000,000	0	0	0	5,000,000
Wang Huiwen	February 1, 2015 to July 1, 2018	4-6 years	US$1.005-US$5.18	5,055,940	3,922,606 US$1.005-US$5.18	0	0	1,133,334
Other Employees	May 31, 2006 to August 1, 2018	0.5 to 6 years	US$0.000017-US$5.18	25,088,805	6,342,217 US$0.000017-US$5.18	88,038	29,004	18,629,546
Total				35,144,745	10,264,823	88,038	29,004	24,762,880

REPORT OF DIRECTORS

Note:

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

Outstanding RSUs Granted under the Pre-IPO ESOP

Up to the Listing Date, the Company has granted RSUs under the Pre-IPO ESOP representing an aggregate of 252,774,461 Shares.

The table below shows the details of RSUs granted to the Directors and other employees under the Pre-IPO ESOP.

Name	Date of Grant	Vesting Period	Number of Shares underlying RSUs outstanding as of January 1, 2022	RSUs vested during the Reporting Period	RSUs cancelled during the Reporting Period	RSUs lapsed during the Reporting Period	Number of Shares underlying RSUs outstanding as of December 31, 2022
Directors							
Mu Rongjun	July 1, 2017	6 years	333,332	166,667	0	0	166,665
Wang Huiwen	January 1, 2016 to July 1, 2018	4 to 6 years	7,766,665	0	0	0	7,766,665
Other Employees	December 29, 2010 to August 2, 2018	0 to 6 years	16,542,342	12,806,337	358,143	0	3,377,862
Total			24,642,339	12,973,004	358,143	0	11,311,192

POST-IPO SHARE OPTION SCHEME

The Post-IPO Share Option Scheme was approved and adopted by all the then shareholders of the Company on August 30, 2018. The Post-IPO Share Option Scheme commenced on the Listing Date and will expire on the tenth anniversary of the commencement date. The following is a summary of certain principal terms of the Post-IPO Share Option Scheme:

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Qualifying Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options. However, for any individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, such individual is not eligible to be offered or granted options.

Maximum Number of Class B Shares

The total number of Class B Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 475,568,628 Class B Shares (the "**Option Scheme Mandate Limit**"), representing 7.68% of the issued share capital of the Company (on a one share one vote basis) as of the date of this annual report. Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Class B Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Class B Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of the Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

REPORT OF DIRECTORS

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Class B Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

The Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in a general meeting.

As of December 31, 2022, a total of 3,351,336 options had been granted pursuant to the Post-IPO Share Option Scheme. None of the grantees of the aforesaid options granted is a director, chief executive or substantial shareholder of the Company, nor an associate of any of them. For further details, please refer to the announcement of the Company.

As of the date of this annual report, the total number of Shares available for issue under the Post-IPO Share Option Scheme was 474,544,906 Shares, representing 7.66% of the issued share capital of the Company (on a one share one vote basis).

Maximum Entitlement of a Participant

Unless approved by our Shareholders, the total number of Class B Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Class B Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of Class B Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates abstaining from voting).

Exercise Price

The amount payable for each Class B Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board, provided that it shall be at least the highest of:

(i) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Class B Share on the date of grant.

Grant Offer Letter and Notification of Grant of Options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted and an offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Class B Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, which must be received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Time of Exercise of an Option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Class B Shares in respect of which is exercised. The expiry of the period within which an option may be exercised is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant.

Duration

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme. As at December 31, 2022, the remaining life of the Post-IPO Share Option Scheme was approximately five years and nine months.

REPORT OF DIRECTORS

Outstanding Options Granted under the Post-IPO Share Option Scheme

The numbers of options available for grant under the Post-IPO Share Option Scheme on January 1, 2022 and December 31, 2022 are 472,217,312 and 472,240,496 respectively. During the Reporting Period, no option was granted under the Post-IPO Share Option Scheme.

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

Name	Date of Grant	Vesting Period	Exercise Price	Number of Shares underlying options outstanding as of January 1, 2022	Number of Shares underlying options granted during the Reporting Period	Number of options exercised during the Reporting Period and the exercise price	Number of options lapsed during the Reporting Period	Number of options cancelled during the Reporting Period	Number of Shares underlying options outstanding as of December 31, 2022
Employees	July 5, 2019	4 years[(1)]	HK$69.1	710,000	0	0	0	15,000	695,000
	April 24, 2020	5.2 years[(2)]	HK$100.15	904,000	0	226,000	0	0	678,000
	July 20, 2020	4 years[(3)]	HK$195.98	1,251,602	0	0	23,184	297,008	931,410
Total				2,865,602	0	226,000	23,184	312,008	2,304,410

Notes:

(1) The share options are exercisable in installments from the commencement of the relevant vesting period until July 5, 2029. Subject to the terms of the Post-IPO Share Option Scheme and the share option award agreements signed by the grantees, the first 25% of the options can be exercised 1 year after the grant date, and each 25% of the total options will become exercisable in each subsequent year.

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

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

(4) For employees, the weighted average closing price of Class B Shares immediately before the date on which the above options were exercised in 2022 was HKD169.40 per share.

POST-IPO SHARE AWARD SCHEME

The Post-IPO Share Award Scheme was approved and adopted by all the then shareholders of the Company on August 30, 2018. The Company may appoint a trustee to administer the Post-IPO Share Award Scheme with respect to the grant of any award ("**Award**") by the Board which may vest in the form of Class B Shares ("**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO Share Award Scheme. The following is a summary of certain principal terms of the Post-IPO Share Award Scheme.

Purpose

The purpose of the Post-IPO Share Award Scheme is to align the interests of eligible persons with those of the Group through ownership of Class B Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

Eligible Participants

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an "**Eligible Person**" and collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award, subject to the applicable laws and regulations.

Awards

An Award gives a selected participant a conditional right, when the Award Shares vest, to obtain the Award Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares.

An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "**Grant Date**") to the date the Award vests (the "**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

REPORT OF DIRECTORS

Grant of Award

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board's delegate(s), to any selected participant other than a Director or an officer of the Company) by way of an award letter ("**Award Letter**"). The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary. No consideration is payable on application or acceptance of the Award Shares granted, and no purchase price is required under the Post-IPO Share Award Scheme.

Each grant of an Award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of the Company.

Maximum Number of Shares to Be Granted

The aggregate number of Class B Shares underlying all grants made pursuant to the Post-IPO Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Post-IPO Share Award Scheme) will not exceed 272,336,228 Shares, representing 4.40% of the issued share capital of the Company (on a one share one vote basis) as of the date of this annual report, without Shareholders' approval subject to an annual limit of 3% of the total number of issued Shares at the relevant time. There is no specific limit on the total number of non-vested Award Shares that may be granted to a selected participant under the Post-IPO Share Award Scheme.

As of December 31, 2022, 219,521,468 RSUs had been granted under the Post-IPO Share Award Scheme since Listing Date (including RSUs which have been cancelled or forfeited in accordance with the Post-IPO Share Award Scheme) and as of the date of this annual report, the total number of Shares available for issue under the Post-IPO Share Award Scheme was 203,110,540 Shares (including Award Shares which have been cancelled or forfeited in accordance with the Post-IPO Share Award Scheme), representing 3.28% of the issued share capital of the Company (on a one share one vote basis).

Termination

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

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

(ii) such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the Post-IPO Share Award Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the Award Shares already granted to a selected participant.

As at December 31, 2022, the remaining life of the Post-IPO Share Award Scheme was approximately five years and nine months.

Outstanding RSUs Granted under the Post-IPO Share Award Scheme

The numbers of RSUs available for grant under the Post-IPO Share Award Scheme on January 1, 2022 and December 31, 2022 are 137,461,792 and 86,973,192 respectively.

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

			Number of RSUs					
Name	Date of Grant	Vesting Period	Outstanding as of January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of December 31, 2022
ORR, Gordon Robert Halyburton	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	11,250	0	11,250	0	0	0
	September 23, 2022	12.5% to vest in each quarter commencing from December 20, 2022 until September 20, 2024	0	12,914	1,614	0	0	11,300
LENG, Xuesong	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	11,250	0	11,250	0	0	0
	September 23, 2022	12.5% to vest in each quarter commencing from December 20, 2022 until September 20, 2024	0	12,914	1,614	0	0	11,300
Shum Heung Yeung Harry	November 23, 2018	6.25% to vest in each quarter commencing from December 20, 2018 until September 20, 2022	11,250	0	11,250	0	0	0
	September 23, 2022	12.5% to vest in each quarter commencing from December 20, 2022 until September 20, 2024	0	12,914	1,614	0	0	11,300
Total			33,750	38,742	38,592	0	0	33,900

REPORT OF DIRECTORS

Notes:

(1) RSUs granted to Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong and Dr. Shum Heung Yeung Harry on November 23, 2018 was funded by new Class B Shares issued by the Company, which was approved by Shareholders at the extraordinary general meeting of the Company on February 20, 2019.

(2) RSUs granted to Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong and Dr. Shum Heung Yeung Harry on September 23, 2022, may be satisfied through issue of new Class B Shares or on-market purchase of the Class B Shares. Those vested RSUs were satisfied by existing Class B Shares on-market purchased, and if remaining outstanding RSUs are to be satisfied through issue of new Class B Shares, the Company will comply with the requirements under the Listing Rules.

(3) For Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong and Dr. Shum Heung Yeung Harry, the weighted average closing price of the Class B Shares immediately before the dates on which the RSUs were vested in 2022 was HKD174.54, HKD174.54, and HKD174.54, respectively.

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

(5) All of the grant of RSUs mentioned above during the year ended 31 December 2022 were made without any performance targets.

(6) The closing price of Class B Shares immediately before September 23, 2022 is HKD164.90 per share. Fair value of RSUs granted on September 23, 2022, as at the date of grant, was HKD160.30, and as for relevant accounting standard and policy adopted, please refer to Note 2.25.2 to the consolidated financial statements.

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

			Number of RSUs					
Category	Year of Grant	Vesting Period	Outstanding as of January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of December 31, 2022
Employees[1]	2018	4 years	1,194,729	0	1,095,229	0	69,975	29,525
	2019	4 years	18,038,288	0	8,566,571	0	1,610,676	7,861,041
	2020	4 to 5.2 years	33,488,745	0	11,547,547	0	2,571,408	19,369,790
	2021	2 to 6 years	47,153,564	0	7,531,145	0	4,453,213	35,169,206
	2022	1 to 6 years	0	62,397,119	1,792,805	0	3,276,064	57,328,250
Service Providers[2]	2019	4 years	21,071	0	8,785	0	3,500	8,786
	2020	4 years	73,030	0	16,561	0	26,173	30,296
	2021	2 to 6 years	728,537	0	115,154	0	4,238	609,145
	2022	2 to 4years	0	75,213	1,172	0	7,227	66,814
Total			100,697,964	62,472,332	30,674,969	0	12,022,474	120,472,853

Notes:

(1) For employees, the weighted average closing price of Class B Shares immediately before the date on which the RSUs were vested in 2022 was HKD188.57 per share.

(2) For service providers, the weighted average closing price of Class B Shares immediately before the date on which the RSUs were vested in 2022 was HKD174.98 per share.

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

(4) The following grants were made in 2022:

Date of Grant	Vesting Period	Number of RSUs Granted	Closing Price of Class B Shares immediately before the Date of Grant	Fair Value of Awards as at the Date of Grant per RSU
Employees				
January 21, 2022	2 to 4 years	5,291,732	238.00	238.00
April 22, 2022	2 to 4 years	6,516,510	137.80	141.40
June 22, 2022	1 to 5 years	35,209,857	201.20	191.60
July 22, 2022	1 to 4 years	7,768,111	190.40	191.70
October 21, 2022	1 to 4 years	5,127,010	140.80	141.60
December 1, 2022	2 to 6 years	2,483,899	163.60	163.00
Service Providers				
January 21, 2022	4 years	33,423	238.00	238.00
April 22, 2022	4 years	3,636	137.80	141.40
June 22, 2022	2 to 3 years	10,466	201.20	191.60
July 22, 2022	4 years	17,238	190.40	191.70
October 21, 2022	2 to 4 years	10,450	140.80	141.60

(5) All of the grant of RSUs mentioned above during the year ended 31 December 2022 were made without any performance targets.

The numbers of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is 1.14%.

REPORT OF DIRECTORS

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme, and 2027 Bonds and 2028 Bonds, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the Reporting Period or subsisted at the end of 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries or Consolidated Affiliated Entities has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Neil Nanpeng Shen, our non-executive Director, is a non-executive director of Trip.com Group Ltd. (NASDAQ Ticker: TCOM; HKEx Stock Code: 9961), formerly known as Ctrip.com International, Ltd. (NASDAQ Ticker: CTRP), a travel service provider in China. The Company is of the view that such competing interest will not result in any material conflict of interest because, in his capacity as our non-executive Director, Neil Nanpeng Shen does not participate in the day-to-day management of Trip.com Group Ltd.

In addition, investment funds affiliated with Sequoia Capital China are minority shareholders of one or more companies which may compete, directly or indirectly, with the Company. For each of these companies, Neil Nanpeng Shen (i) is not a director; and (ii) neither he nor Sequoia Capital China participates in its day-to-day management.

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

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Marketing and Promotion Services Framework Agreement

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

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

Shenzhen Tencent Computer is a subsidiary of Tencent, which is a substantial shareholder of the Company during the Reporting Period, and therefore a connected person of the Company during the Reporting Period.

The annual cap payable by the Company to Tencent for the year ended December 31, 2022 is RMB1,730 million, while the actual transaction amount for the year ended December 31, 2022 is approximately RMB717 million. The annual cap payable by Tencent to the Company for the year ended December 31, 2022 is RMB70 million, while the actual transaction amount for the year ended December 31, 2022 is approximately RMB24 million.

REPORT OF DIRECTORS

Cloud Services and Technical Services Framework Agreement

On September 1, 2018, Meituan (for itself and on behalf of other members of the Group) entered into a framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent) ("**2018 Cloud Services and Technical Services Framework Agreement**"), pursuant to which Tencent agreed to provide cloud services, cloud storage and cloud services-related technical support to the Group for service fees. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately. The service fees will be determined after arm's length negotiation between the parties with reference to the market rates. The term of the Cloud Services and Technical Services Framework Agreement commenced on the Listing Date and expired on December 31, 2020.

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

The annual cap payable by the Company to Tencent for the year ended December 31, 2022 is RMB480 million, while the actual transaction amount for the year ended December 31, 2022 is approximately RMB210 million. The annual cap payable by Tencent to the Company for the year ended December 31, 2022 is RMB90 million, while the actual transaction amount for the year ended December 31, 2022 is nil.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Payment Services Framework Agreement

On September 1, 2018, Meituan (for itself and on behalf of other members of the Group) entered into a framework agreement with Shenzhen Tencent Computer (for itself and on behalf of other members of Tencent) ("**2018 Payment Services Framework Agreement**"), pursuant to which Tencent agreed to provide the Company with payment services in order to enable its consumers to make online payments for the Company's service offerings through Tencent payment channels on both mobile devices and personal computers or directly on the Tencent payment interface embedded on its mobile apps and websites. The Company shall in return pay payment service commissions to Tencent. The precise scope of service, commission rate, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties. The payment service commissions will be determined after arm's length negotiation between the parties with reference to the market rates. The commission rate and calculation method shall be agreed between the parties separately. The term of the Payment Services Framework Agreement commenced on the Listing Date and expired on December 31, 2020.

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

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

The annual cap for the year ended December 31, 2022 is RMB3,180 million, while the actual transaction amount for the year ended December 31, 2022 is approximately RMB2,512 million.

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

REPORT OF DIRECTORS

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

The independent non-executive Directors have reviewed the continuing connected transactions outlined above, and confirmed that such continuing connected transactions had been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

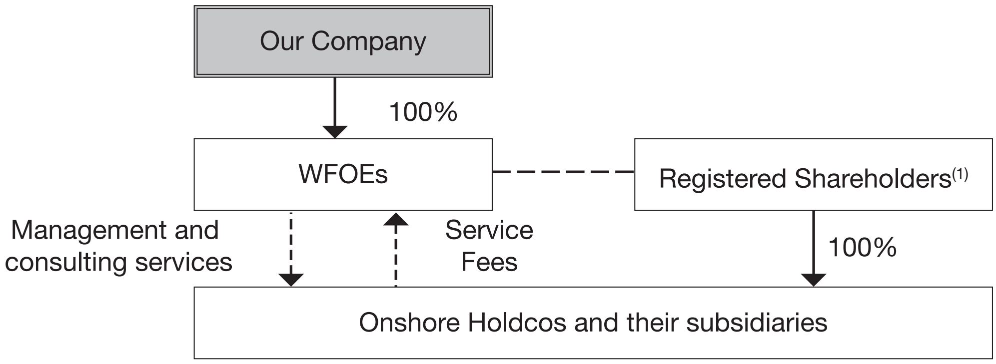
The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules.

Details of related party transactions carried out in the normal course of business are set out in Note 37 to the consolidated financial statements. Save as disclosed above, no related party transactions disclosed in the consolidated financial statements constitutes a connected transaction or a continuing connected transaction as defined under Chapter 14A of the Listing Rules. During the Reporting Period, the Company has fully complied with the disclosure requirements under Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

The WFOEs, the Onshore Holdcos and the Registered Shareholders of such Onshore Holdcos have entered into a series of Contractual Arrangements, pursuant to which the Company obtained effective control over, and received all the economic benefits generated by, the businesses operated by the Consolidated Affiliated Entities. Accordingly, through the Contractual Arrangements, the Company's Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to the Group stipulated under the Contractual Arrangements:



Notes:

(1) Registered Shareholders refer to the registered shareholders of the Onshore Holdcos, namely, (i) Tianjin Antechu Technology; (ii) Shanghai Lutuan; (iii) Beijing Kuxun Interaction; (iv) Shanghai Sankuai Technology; (v) Meituan Finance; (vi) Beijing Sankuai Cloud Computing; (vii) Beijing Xinmeida; (viii) Chengdu Meigengmei; (ix) Beijing Mobike; (x) Beijing Sankuai Technology; and (xi) Shanghai Hantao.

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

(ii) Shanghai Lutuan is owned by Wang Xing as to 95% and Mu Rongjun as to 5%, and in October 2022, Wang Xing and Mu Rongjun transferred all shares of Shanghai Lutuan to Beijing Sankuai Technology;

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

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

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

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

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

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

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

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

(xi) Shanghai Hantao is owned by Wang Xing as to 95% and Mu Rongjun as to 5%.

(2) "—>" denotes a direct legal and beneficial ownership in the equity interest.

(3) "--->" denotes a contractual relationship.

(4) "----" denotes the control by WFOEs over the Registered Shareholders and the Onshore Holdcos through (a) powers of attorney to exercise all shareholders' rights in the Onshore Holdcos, (b) exclusive options to acquire all or part of the equity interests in the Onshore Holdcos and (c) equity pledges over the equity interests in the Onshore Holdcos.

(5) These include certain companies which do not currently carry out any business operations but are intended to carry out businesses which are subject to foreign investment restrictions in accordance with the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2022 Version). For further details of the subsidiaries of the Onshore Holdcos, see the section headed "History, Reorganization and Corporate Structure — Corporate Structure" of the Prospectus.

A brief description of the specific agreements that comprises the Contractual Arrangements entered into by each of the WFOEs, the Onshore Holdcos and relevant Registered Shareholders is set out as follows:

Exclusive Business Cooperation Agreements

Under the exclusive business cooperation agreements entered into between each Onshore Holdco (other than Shanghai Hantao and Beijing Sankuai Technology) and the relevant WFOE on August 21, 2018, the exclusive business cooperation agreement entered into by and between Shanghai Hantao and the relevant WFOE on November 13, 2018 and the exclusive business cooperation agreement entered into by and between Beijing Sankuai Technology and the relevant WFOE on November 30, 2020 (collectively, the "**Exclusive Business Cooperation Agreements**"), pursuant to which, in exchange for a monthly service fee, the Onshore Holdcos agreed to engage the WFOEs as each of their exclusive provider of technical support, consultation and other services, including the use of any relevant software legally owned by the WFOEs; development, maintenance and updating of software in respect of the Onshore Holdcos' business; design, installation, daily management, maintenance and updating of network systems, hardware and database design; providing technical support and staff training services to relevant employers of the Onshore Holdcos; providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under the PRC laws); providing business management consultation; providing marketing and promotional services; providing customer order management and customer services; transfer, leasing and disposal of equipment or properties; and other relevant services requested by the Onshore Holdcos from time to time to the extent permitted under the PRC laws.

Under the Exclusive Business Cooperation Agreements, the service fee shall consist of 100% of the total consolidated profit of the Onshore Holdcos, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions and subject to any necessary adjustment by the WFOEs of the scope and amount of service fees according to the PRC tax law and tax practices.

Exclusive Option Agreements

Under the exclusive option agreements entered into among each Onshore Holdco (other than Shanghai Hantao, Beijing Sankuai Cloud Computing and Beijing Sankuai Technology), relevant WFOE and the relevant Registered Shareholders on August 21, 2018, the exclusive option agreement entered into among Shanghai Hantao, relevant WFOE and the relevant Registered Shareholders on November 13, 2018, the exclusive option agreement entered into among Beijing Sankuai Cloud Computing, relevant WFOE and the relevant Registered Shareholders on December 1, 2019 and the exclusive option agreement entered into among Beijing Sankuai Technology, relevant WFOE and the relevant Registered Shareholders on November 30, 2020 (collectively, the "**Exclusive Option Agreements**"), the WFOEs have the rights to require the Registered Shareholders to transfer any or all their equity interests in the Onshore Holdcos to the WFOEs and/or a third party designated by it, in whole or in part at any time and from time to time, for considerations equivalent to the respectively outstanding loans owed to the Registered Shareholders (or part of the loan amounts in proportion to the equity interests being transferred) or, if applicable, for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. The Exclusive Option Agreements shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in the Onshore Holdcos have been transferred to the WFOEs or their appointee(s).

Equity Pledge Agreements

Under the equity pledge agreements entered into among each Onshore Holdco (other than Shanghai Hantao, Beijing Sankuai Cloud Computing and Beijing Sankuai Technology), the relevant WFOE and the relevant Registered Shareholders on August 21, 2018, the equity pledge agreement entered into among Shanghai Hantao, relevant WFOE and the relevant Registered Shareholders on November 13, 2018, the equity pledge agreement entered into among Beijing Sankuai Cloud Computing, relevant WFOE and the relevant Registered Shareholders on December 1, 2019 and the equity pledge agreement entered into among Beijing Sankuai Technology, relevant WFOE and the relevant Registered Shareholders on November 30, 2020 (collectively, the "**Equity Pledge Agreements**"), the Registered Shareholders agreed to pledge all their respective equity interests in the Onshore Holdcos that they own, including any interest or dividend paid for the shares, to the WFOEs as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts. The pledge in respect of the Onshore Holdcos takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully paid.

REPORT OF DIRECTORS

Powers of Attorney

Pursuant to the powers of attorney executed by the Registered Shareholders in connection with their rights in the Onshore Holdcos (other than Shanghai Hantao, Beijing Sankuai Cloud Computing and Beijing Sankuai Technology) on August 21, 2018, the powers of attorney executed by the Registered Shareholders in connection with their rights in Shanghai Hantao on November 13, 2018, the powers of attorney executed by the Registered Shareholders in connection with their rights in Beijing Sankuai Cloud Computing on December 1, 2019 and the powers of attorney executed by the relevant Registered Shareholders in connection with their rights in Beijing Sankuai Technology on November 30, 2020 (collectively, the "**Powers of Attorney**"), the relevant Registered Shareholders irrevocably appointed the WFOEs and their designated persons (including but not limited to Directors and their successors and liquidators replacing the Directors but excluding those who are non-independent or may give rise to conflicts of interest) as their attorneys-in-fact to exercise on their behalf, and agreed and undertook not to exercise without such attorneys-in-fact's prior written consent, any and all right that they have in respect of their equity interests in the Onshore Holdcos. The Powers of Attorney shall remain effective for so long as each Registered Shareholder holds equity interest in the Onshore Holdcos.

Loan Agreements

Pursuant to the loan agreements entered into between the relevant WFOEs (other than in the case of Beijing Mobike, Shanghai Hantao, Beijing Sankuai Cloud Computing, Beijing Sankuai Technology and Chengdu Meigengmei) and the Registered Shareholders on August 21, 2018, and the loan agreements entered into between Shanghai Hanhai, being the WFOE, and the Registered Shareholders of Shanghai Hantao on November 13, 2018, and the loan agreements entered into between Sankuai Cloud Online, being the WFOE, and the Registered Shareholders of Beijing Sankuai Cloud Computing on December 1, 2019, and the loan agreements entered into between Tianjin Hanbo, being the WFOE, and the Registered Shareholders of Beijing Sankuai Technology on November 30, 2020 (collectively, the "**Loan Agreements**"), the WFOEs agreed to provide loans to the Registered Shareholders, to be used exclusively as investment in the relevant Onshore Holdcos. The loans must not be used for any other purposes without the relevant lender's prior written consent. The term of each loan commences from the date of the agreement and ends on the date the lender exercises its exclusive call option under the relevant Exclusive Option Agreement, or when certain defined termination events occur, such as if the lender sends a written notice demanding repayment to the borrower, or upon the default of the borrower, whichever is earlier.

The Foreign Investment Law

On January 1, 2020, the Foreign Investment Law (外商投資法) (the "**FIL**") and the Regulations for Implementation of the Foreign Investment Law of the People's Republic of China (the "**Implementation Regulations**") came into effect and, replaced the previous laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The FIL and its Implementation Regulations embody an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

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

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

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

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2022, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its Consolidated Affiliated Entities under the Contractual Arrangements.

REPORT OF DIRECTORS

The revenue of the Onshore Holdcos and their respective subsidiaries amounted to RMB10.6 billion for the year ended December 31, 2022, representing approximately 4.8% of the total revenue for the year of the Group. The total assets of the Onshore Holdcos and their respective subsidiaries amounted to RMB41.4 billion as of December 31, 2022, representing approximately 16.9% of the total assets of the Group.

Reasons for Adopting the Contractual Arrangements

Our Consolidated Affiliated Entities conduct internet information platform services, cloud storage service, other value-added telecommunications service businesses, online culture business and radio and television program services, which are subject to foreign investment restrictions in accordance with the Special Administrative Measure for Entity of Foreign Investment (Negative List) (2022 Version). After consultation with the Company's PRC Legal Advisor, Han Kun Law Offices, the Company determined that it was not viable for it to hold its Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements between the WFOEs, on the one hand, and our Consolidated Affiliated Entities and the Registered Shareholders, on the other hand.

The Directors (including independent non-executive Directors) are of the view that the continuing connected transactions set out above have been entered into in the Company's ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Risks Relating to the Contractual Arrangements

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

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

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

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

- The Company may lose the ability to use, or otherwise benefit from, the licences, approvals and assets held by its VIEs, which could render it unable to conduct some or all of its business operations and constrain its growth.

- The Contractual Arrangements with the Company's VIEs may be subject to scrutiny by the tax authorities in China. Any adjustment of related party transaction pricing could lead to additional taxes, and therefore could substantially reduce its consolidated profit and the value of your investment.

- The equity holders, directors and executive officers of the VIEs may have potential conflicts of interest with the Company.

- The Company conducts its business operations in China through its VIEs by way of Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

- If the Company exercises the option to acquire equity ownership of its VIEs, the ownership transfer may subject us to certain limitations and substantial costs.

REPORT OF DIRECTORS

The Group has adopted measures to ensure the effective operation of the Group's businesses with the implementation of the Contractual Arrangements and its compliance with the Contractual Arrangements, including:

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) the Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports; and

(iv) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and its Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as the Company's wholly owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as the Company's "connected persons" as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

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

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

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

(b) no change without independent Shareholders' approval;

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

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

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

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

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

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

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

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

REPORT OF DIRECTORS

The Auditor has carried out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements. The Auditor has confirmed in a letter to the Board that the transactions carried out pursuant to the Contractual Arrangements during the year ended December 31, 2022 had received the approval of the Board, had been entered into in accordance with the relevant provisions of the Contractual Arrangements and that no dividends or other distributions had been made by the Company's Consolidated Affiliated Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

DONATIONS

During the Reporting Period, the charitable and other donations made by the Group amounted to approximately RMB17.8 million.

LEGAL PROCEEDINGS AND COMPLIANCE

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

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

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

PERMITTED INDEMNITY PROVISION

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

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Company and its subsidiaries which occurred after December 31, 2022 and up to the date of this annual report.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF DIRECTORS

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on June 30, 2023. The register of members of the Company will be closed from Tuesday, June 27, 2023 to Friday, June 30, 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (for both holders of Class A Shares and holders of Class B Shares), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, June 26, 2023.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights (including entitlements to any relief of taxation) in relation to, the Shares, they are advised to consult an expert.

AUDITOR

PricewaterhouseCoopers was appointed as the Auditor during the Reporting Period. The accompanying financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers. There has been no change in Auditors in preceding three years.

PricewaterhouseCoopers shall retire at the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as Auditor will be proposed at the AGM.

On behalf of the Board

Wang Xing
Chairman

Hong Kong, March 24, 2023

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CULTURE AND PURPOSE

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

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

– satisfactory and sustainable returns to Shareholders;

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

– that overall business risk is understood and managed appropriately;

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

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring the Company adhere to a high standard of corporate governance.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the CG Code. The Board is of the view that during the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision C.2.1 described in the paragraph headed “Board of Directors – Chairman and Chief Executive Officer”.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the Reporting Period.

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

BOARD OF DIRECTORS

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

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

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board make decisions objectively in the interests of the Company.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretaries and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves its discretion on all major matters including policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company.

Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the senior management of the Group. The senior management administers, interprets, enforces, supervises compliance with the internal policies and operational procedures and conducts regular reviews on such policies and procedures across different levels of the Group. The senior management communicates with the Board on a regular basis.

Continuous Professional Development of Directors

The Company believes education and training are important for maintaining an effective Board. Every Director has received formal and comprehensive training to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Company arranges continuous professional development training to Directors such as internally facilitated briefings and provision of reading material on relevant topics to ensure Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Directors also regularly meet with the senior management team to understand the Group's businesses, governance policies and regulatory environment. All Directors are also encouraged to attend relevant training courses.

CORPORATE GOVERNANCE REPORT

The Directors pursued continuous professional development for the Reporting Period and relevant details are summarized as follows:

Name of Director	Participated in continuous professional development[(1)]
Executive Directors	
Wang Xing	A, B
Mu Rongjun	A, B
Non-executive Directors	
Wang Huiwen *(redesignated to a non-executive director with effect from March 25, 2023)*	A, B
Lau Chi Ping Martin *(resigned on November 16, 2022)*	A, B
Neil Nanpeng Shen	A, B
Independent Non-executive Directors	
Orr Gordon Robert Halyburton	A, B
Leng Xuesong	A, B
Shum Heung Yeung Harry	A, B

Note:

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

Chairman and Chief Executive Officer

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

Composition

As at the date of this annual report, the Board is comprised of seven Directors, with three executive Directors, a non-executive Director and three independent non-executive Directors.

During the year ended December 31, 2022 and up to the date of this annual report, the composition of the Board comprised the following Directors:

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

Non-executive Directors
Mr. WANG, Huiwen *(member of nomination committee) (redesignated from an executive Director to a non-executive Director with effect from March 25, 2023)*
Mr. LAU, Chi Ping Martin *(resigned with effect from November 16, 2022)*
Mr. SHEN, Nanpeng Neil

Independent non-executive Directors
Mr. ORR, Gordon Robert Halyburton *(Chairman of audit committee and member of corporate governance committee)*
Mr. LENG, Xuesong *(Chairman of remuneration committee, corporate governance committee and nomination committee, member of audit committee)*
Dr. SHUM, Heung Yeung Harry *(member of audit committee, remuneration committee, nomination committee and corporate governance committee)*

During the Reporting Period and up to the date of this annual report, Mr. Lau Chi Ping Martin resigned as a non-executive Director and save as aforesaid, there has been no other change to the composition of the Board.

A list of Directors and their respective biographies are set out in the section headed "Directors and Senior Management" of this annual report.

CORPORATE GOVERNANCE REPORT

Board Independence Evaluation

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

Independent Non-executive Directors

The Board's composition is in compliance with the requirement under Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board and at least one of them have appropriate professional qualifications or accounting or related financial management expertise. The Board believes that the balance between the executive Directors and the non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group. None of the members of the Board is related to one another.

The Board values the importance of professional judgment and advice provided by non-executive Directors to safeguard the interests of the Shareholders. The non-executive Directors contribute diversified qualifications and experience to the Group by expressing their views in a professional, constructive and informed manner, and actively participate in Board and committee meetings to bring professional judgment and advice on issues relating to the Group's strategies, policies, performance, accountability, resources, key appointments, standards of conduct, conflicts of interest and management process, with the Shareholders' interests being the utmost important factor. The non-executive Directors also exercise their professional judgment and utilise their expertise to scrutinise the Company's performance in achieving agreed corporate goals, and monitor performance reporting.

Further, in compliance with Rule 3.10 of the Listing Rules, one of the Company's independent non-executive Directors has the appropriate professional qualifications of accounting or related financial management expertise, and provides valuable advice from time to time to the Board. The Company has also received from each independent non-executive Director an annual confirmation of his independence and the Nomination Committee has conducted an annual review and considers that all independent non-executive Directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules in the context of the length of service of each independent non-executive Director.

As part of the Company's corporate governance practice to provide transparency to the investor community and in compliance with the Listing Rules and the CG Code, the independent non-executive Directors are clearly identified in all corporate communications containing the names of the Directors. In addition, an up-to-date list of Directors identifying the independent non-executive Directors and the roles and functions of the Directors is maintained on the Company's website and the Stock Exchange's website.

Appointments and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company. Pursuant to this agreement, they agree to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board or until the third annual general meeting of the Company after the Listing Date (whichever is earlier), upon which the service contracts were automatically renewed. Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the non-executive Directors has entered into an appointment letter with the Company. The appointment as a Director shall continue for three years after the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is earlier (subject to retirement as and when required under the Articles of Association), unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. On April 12, 2021, each of the non-executive Directors entered into an appointment letter with the Company on similar terms for three years.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. The initial term of the appointment shall be three years from the date of the Prospectus or until the third annual general meeting of the Company after the Listing Date, whichever is earlier (subject to retirement as and when required under the Articles of Association), unless terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. On April 12, 2021, each of the independent non-executive Directors entered into an appointment letter with the Company on similar terms for three years.

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

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

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

CORPORATE GOVERNANCE REPORT

Board Activity

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

	Attendance/No. of Meetings Held during the Reporting Period					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	General Meeting of Shareholders
Executive Directors						
Wang Xing	4/4					1/1
Mu Rongjun	4/4		1/1			1/1
Non-executive Directors						
Wang Huiwen (redesignated from an executive Director to a non-executive Director with effect from March 25, 2023)	4/4			1/1		1/1
Lau Chi Ping Martin *(resigned on November 16, 2022)*	3/4					0/1
Neil Nanpeng Shen	4/4					0/1
Independent Non-executive Directors						
Orr Gordon Robert Halyburton	4/4	4/4			2/2	1/1
Leng Xuesong	4/4	4/4	1/1	1/1	2/2	1/1
Shum Heung Yeung Harry	4/4	4/4	1/1	1/1	2/2	0/1

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

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

On May 18, 2022, the Company held its annual general meeting to consider and approve the re-election of Directors, the grant of general mandates to issue and repurchase shares, and the re-appointment of the Auditor. All the proposed resolutions to the annual general meeting were taken by poll and the poll results were set out in the Company's announcement dated May 18, 2022. The Chairman as well as other members of the Board were available to respond to enquiries during the annual general meeting, which provided opportunities for communication between Directors, senior management and the Shareholders.

BOARD COMMITTEES

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

Audit Committee

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

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

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

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

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

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

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

During the Reporting Period, the Audit Committee met four times. Individual attendance of each Audit Committee member is set out on page 98. The Audit Committee also met the external auditor four times without the presence of the executive Directors.

CORPORATE GOVERNANCE REPORT

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

(a) reviewing the 2022 interim report;

(b) reviewing the Company's quarterly result announcements for the first quarter ended March 31, 2022 and the third quarter ended September 30, 2022, respectively;

(c) reviewing compliance with CG Code, Listing Rules and relevant laws;

(d) reviewing the Company's cybersecurity structure and the effectiveness of the Company's cybersecurity management and technology framework;

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

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

(g) reviewing the Company's ESG work.

The Audit Committee annually reviews the relationship of the Company with the Auditor and recognizes that the Auditor's independence is a fundamental governance principle. The Auditor provides quarterly updates to the Audit Committee if any independence issue is identified and is required to give an annual confirmation on their independence. Having also reviewed the effectiveness of the external audit process as well as the independence and objectivity of the Auditor, the Audit Committee is satisfied with this relationship. As such, the Audit Committee has recommended their re-appointment at the AGM.

Remuneration Committee

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

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

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

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

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

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

During the Reporting Period, the Remuneration Committee met once. Individual attendance of each Remuneration Committee member is set out on page 98.

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

(a) review compensation and benefits framework and structure; and

(b) review of director and management compensation scheme;

During the Reporting Period, no material matters relating to share schemes (as defined under Chapter 17 of the Listing Rules) required the Remuneration Committee to review or approve.

For details in relation to the Company's Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme, please refer to the section headed "Report of Directors" of this annual report.

Nomination Committee

The Company has established a nomination committee with written terms of reference in compliance with the CG Code and Corporate Governance Report in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee include the following:

(a) reviewing the Board composition;

(b) developing the criteria for identifying candidates for nomination and appointment of Directors;

(c) assessing the independence of independent non-executive Directors;

(d) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and

(e) developing a policy concerning diversity of Board members, and disclosing the policy or a summary of the policy in the corporate governance report.

The Nomination Committee consists of three members, namely Leng Xuesong and Shum Heung Yeung Harry, the independent non-executive Directors and Wang Huiwen, the non-executive Director (redesignated from an executive Director to a non-executive Director on March 25, 2023). Leng Xuesong has been appointed as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

The Nomination Committee reviews at least annually the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board and where appropriate, makes recommendations on changes to the Board to complement the Company's corporate strategy.

The Company regards increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Company has implemented a board diversity policy. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth. In recognising the particular importance of gender diversity, the Company will appoint at least one female director by no later than December 31, 2024. We are also committed to adopting a similar approach to promote diversity within the management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole.

The Nomination Committee has a primary responsibility for identifying suitably qualified candidates to become members of the Board and, in carrying out this responsibility, will give adequate consideration to the board diversity policy. In forming its perspective on diversity, the Nomination Committee will also take into account factors based on the Company's business model and specific needs from time to time, including without limitation, skills, knowledge, experience, gender and background.

The Nomination Committee will ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Nomination Committee will report annually on the Board's composition and make appropriate disclosures regarding the board diversity policy in the Corporate Governance Report of the Company's annual reports. It will also monitor the implementation of the board diversity policy.

During the Reporting Period, the Nomination Committee met once. Individual attendance of each Nomination Committee member is set out on page 98.

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

(a) reviewing and monitoring the implementation of the board diversity policy;

(b) reviewing and assessing the structure, size, composition and diversity of the Board;

(c) reviewing the re-election of Directors and its schedule; and

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

In accordance of the board diversity policy of the Company, the Nomination Committee considered the gender, age, cultural and education background, professional experience, knowledge, independency, length of service of the candidates for re-election of the retiring executive Directors, Wang Xing and Mu Rongjun and independent non-executive Director, Shum Heung Yeung Harry in the annual general meeting of the Company held on May 18, 2022. After due consideration of the aforesaid mentioned factors and the previous contributions of the independent non-executive Director, the Nomination Committee was satisfied that Wang Xing, Mu Rongjun and Shum Heung Yeung Harry would continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

Director Nomination Policy

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

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

The nomination process set out in the Director Nomination Policy:

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

Corporate Governance Committee

The Company has established a corporate governance committee in compliance with Chapter 8A of the Listing Rules. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the WVR Structure of the Company.

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

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the duties of the Corporate Governance Committee as set out in its terms of reference include:

(a) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;

(e) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report;

(f) reviewing and monitoring whether the Company is operated and managed for the benefit of all of its shareholders;

(g) confirming, on an annual basis, that the WVR Beneficiaries have been members of the Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;

(h) confirming, on an annual basis, whether or not the WVR Beneficiaries have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;

(i) reviewing and monitoring the management of conflicts of interests and making a recommendation to the Board on any matter where there is a potential conflict of interest between the Company, its subsidiary or consolidated affiliated entity and/or shareholder on one hand and any WVR Beneficiary on the other;

(j) reviewing and monitoring all risks related to the Company's WVR structure, including connected transactions between the Company and/or its subsidiary or consolidated affiliated entity on one hand and any WVR Beneficiary on the other and making a recommendation to the Board on any such transaction;

(k) making a recommendation to the Board as to the appointment or removal of the compliance adviser;

(l) seeking to ensure effective and on-going communication between the Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules;

(m) reporting on the work of the Corporate Governance Committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and

(n) disclosing, on a compliance or explanation basis, its recommendations to the Board in respect of the matters in sub-paragraphs (i) to (k) above in the report referred to in sub-paragraph (m) above.

During the Reporting Period, the Corporate Governance Committee met two times. Individual attendance of each Corporate Governance Committee member is set out on page 98.

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

(a) reviewing and monitoring the training and continuous professional development of Directors and senior management (in particular, Chapter 8A of the Listing Rules and knowledge in relation to risks relating to the weighted voting rights structure);

(b) reviewing the code of conduct applicable to employees and Directors;

(c) assessing, reviewing and making recommendation to the Board for the re-appointment of the Company's compliance advisor;

(d) reviewing the disclosure in the Corporate Governance Report and the Company's compliance with the CG Code;

(e) reviewing and assessing the Conflict of Interest Declaration Policy of the Company and any potential conflict of interest between the Company and the WVR beneficiaries and making relevant recommendations to the Board to ensure good corporate governance standards and to avoid potential conflicts of interest between the Company or the Shareholders on the one hand and the WVR Beneficiaries on the other;

(f) assessing, reviewing and monitoring all risks related to the Company's WVR Structure, including connected transactions between the Company and its subsidiary or Consolidated Affiliated Entity on the one hand and any WVR Beneficiary on the other;

(g) reviewing the written confirmation provided by the WVR Beneficiaries that they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the Relevant Period;

(h) the Company's various policies and practices on corporate governance, including but not limited to the Company's shareholders' communication policy; and

(i) Reporting on the work of the Corporate Governance Committee covering all areas of its terms of reference.

During the Reporting Period, the Corporate Governance Committee has sought to ensure effective and on-going communication between the Company and the Shareholders as set out in Section E "Communication with Shareholders" of Appendix 14 of the Listing Rules, in particular, by ensuring that: (i) the general meeting of the Company (where the Board of Directors and appropriate senior management of the Company are available to respond to enquiries) was held to provide an opportunity for communication between the Directors, senior management and the Shareholders; (ii) both English and Chinese version of any corporate communication that requires Shareholders' attention or any announcements relating to matters to be disclosed under the Listing Rules (including but not limited to those involving insider information, corporate actions and corporate transactions) were published in a timely manner; (iii) quarterly results that include detailed financial and operating results were prepared and published as voluntary periodic disclosure; (iv) the Company's website, where information on the Company's announcements, reports, financial information and other information are available for public access, has been maintained as a communication platform with the Shareholders; and (v) written enquiries or requests sent by Shareholders to the Company's address or email are dealt with in an informative and timely manner.

The Corporate Governance Committee has confirmed that (i) the WVR beneficiaries have been members of the Board throughout the Reporting Period; (ii) no matter under Rule 8A.17 has occurred during the Reporting Period; and (iii) the WVR Beneficiaries have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules during the Reporting Period. The Corporate Governance Committee has also reviewed the remuneration and terms of engagement of the Company's compliance advisor and recommended to re-appoint Guotai Junan Capital Limited as the compliance advisor of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

Adequate and effective risk management and internal control systems are key to safeguarding the achievement of the Company's business strategies. The risk management and internal control systems shall also ensure the achievement of the Company's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with applicable laws, regulations and regulatory policies.

The Board acknowledges that it is the Board's responsibility to ensure that the Company has established and maintained adequate and effective risk management and internal control systems. The Board delegates its responsibility to the Audit Committee to review the practices of management with respect to the design, implementation and supervision of risk management and internal control systems. This review formally takes place at quarterly intervals, one of which includes an annual review on the effectiveness of the risk management (including ESG risks) and internal control systems. The Board is responsible for overseeing the risk appetite of the Company including determining the risk level the Company expects and is able to take, and proactively considering, analysing and formulating strategies to manage the key risks that the Company is exposed to.

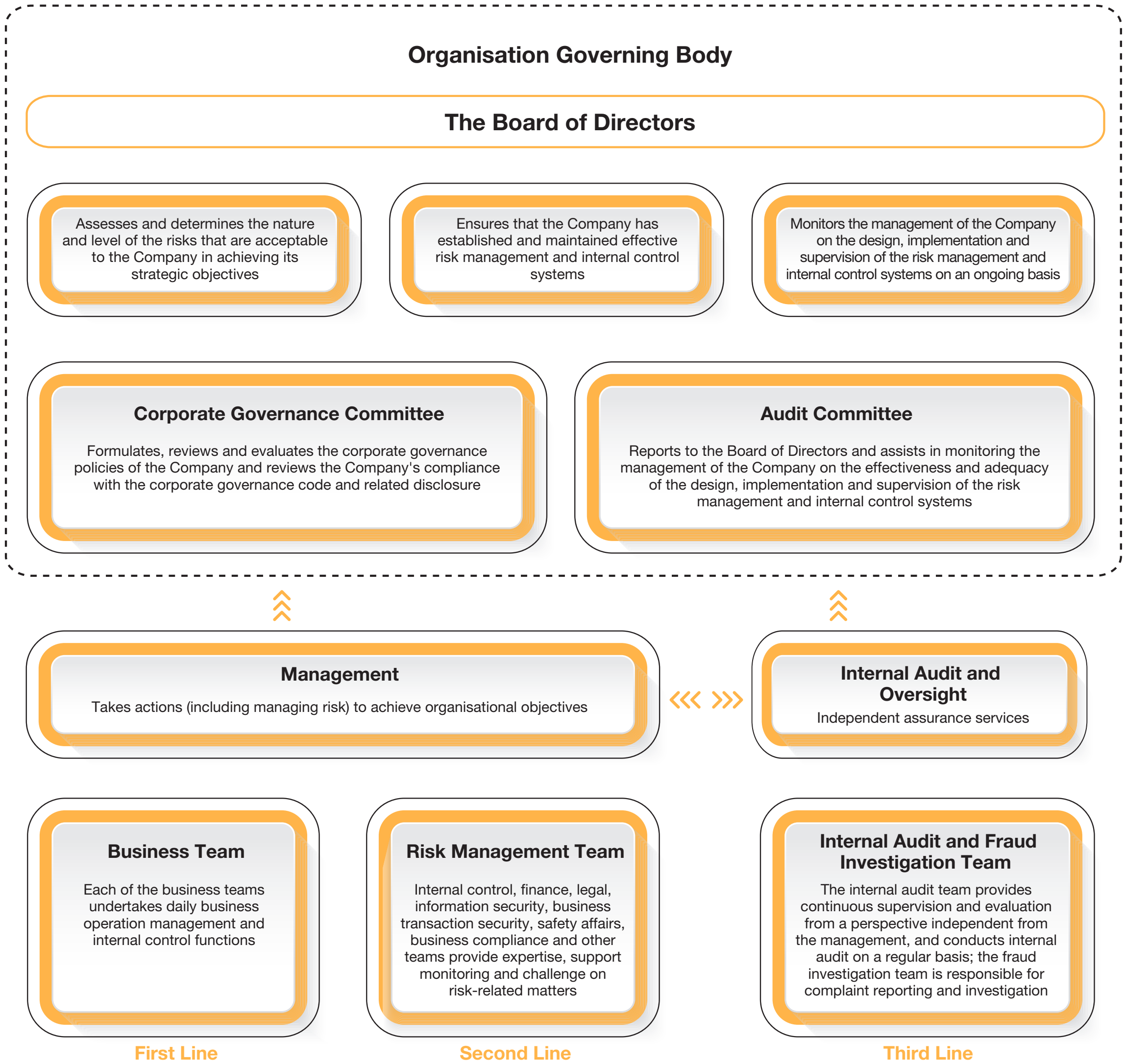
The Company is devoted to establishing and maintaining risk management and internal control systems including policies and procedures that it considers to be appropriate for its business operations, and it is dedicated to continuously improving these systems.

Organisational Structure for Risk Management

The Company has established a risk management system which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. The Company is committed to continuously improving the risk management system by optimising the organisational structure for risk management, standardizing the risk management process and enhancing the risk management capability, with an aim to ensure long-term growth and sustainable development of the Company's business.

The Company adheres to the fundamental concept that risk management serves to achieve its strategic objectives with the participation of all employees. To ensure that the risk management and internal control systems are effective, the Company, under the supervision and guidance of the Board and factoring in the actual needs of the Company, has adopted an organisational structure for risk management across all divisions, details of which are set out below.

CORPORATE GOVERNANCE REPORT



Organisation Governing Body – Oversight

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

Management

First Line – Operation and Management

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

Second Line – Risk Management

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

Third Line – Internal audit and fraud investigation – Independent Assurance

The third line mainly consists of the departments of internal audit and fraud investigation of the Company. The internal audit department is responsible for providing an independent and objective assurance and consulting on the effectiveness of the Company's risk management and internal control systems, and monitoring management's continuous improvement over the risk management and internal control areas. The fraud investigation department is responsible for receiving whistle-blower reports through various channels and for following up and carrying out independent investigations on alleged fraudulent activities.

The systems mentioned above are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

Risk Management Process

The Company is an internet company with diverse business areas and the Company's business is characteristic of its variety and fast adaptations. Therefore, catering to these characteristics, the risk management of the Company has established a dynamic risk management process and has updated and optimised such process constantly. During the Reporting Period, in order to further improve the coverage and depth of risk assessment, a risk assessment project team established by the Company carried out risk assessment works covering all business areas of the Company, identified relevant risks faced by the Company via management interviews, questionnaires, collective discussions, expert consultations, scenario analyses and other methods, categorized and assessed relevant risk factors, comprehensively and systematically analysed and assessed key risks with reference to the Company's risk mitigation measures and the management's risk appetite, and established a long-term risk assessment mechanism. In conducting risk assessments, the Company comprehensively utilised a combination of qualitative and quantitative methods to analyse the possibility of risk occurrence and the impact on the achievement of objectives, and finally prioritized the risks according to their significance.

CORPORATE GOVERNANCE REPORT

With regard to daily operations, each business departments and functional departments of the Company identify, assess and respond to the risk issues in their operations. The internal control department reports significant risks at the Company level through collecting, consolidating and analysing such risk issues, and ensures that appropriate response strategies and control measures have been taken, which are reviewed by the management teams. The internal control department reviews and evaluates the actions made in response to the significant risks from time to time.

The Company recognizes the importance of employees' risk awareness for risk management and internal control. Through thematic training and activities, risk research and investigation, project collaboration, promotional material etc., our risk management department introduces concepts and knowledge of risk management and internal control to all the staff and promotes participation of business personnel during projects, to cultivate the risk awareness and compliance concept of employees.

Major Risks

In 2022, management of the Company identified six major risks through the above risk management process. Compared with last year, in light of the constantly changing external environment and the continuous expansion of the Company's business scale and scope of operation, the management is of view that the top six risks disclosed in 2021 still persist, albeit with an adjusted risk level. In particular, there is a slight decrease in compliance risk, while the other risk levels are mostly unchanged and the overall ranking of major risks remains the same.

Below is a summary of the significant risks of the Company along with the applicable response strategies. With the growth of business scale, scope, complexity and the constantly changing external environment, the Company's risk profile may change and the list below is not intended to be exhaustive.

Compliance Risk

Although the internet and technology industry is still evolving, regulatory authorities in numerous jurisdictions have been, in an attempt to keep up with such evolution, developing more comprehensive and stringent laws, regulations and policies to regulate the industry, including obtaining and maintaining necessary licences, approvals and permits relevant to applicable business. The Company, when conducting its business, is required to comply with new or revised laws, regulations and policies by different regulatory authorities, such as regulations and policy documents relating to anti-monopoly, data protection, cybersecurity, IP, financial compliance, etc.

In the past year, the policy focus has been adjusted in line with the improvement of the compliance of the platform economy. The competition order in the platform economy has been improving steadily, and the business environment of the platform economy has been continuously optimized from the gradual transition of "enhancing anti-monopoly and to prevent capital expansion disorderly" to "enhancing the healthy development of the platform economy". On one hand, the compliance of platform enterprises has been continuously enhanced; on the other hand, the relevant laws and policies in the field of platform economy have been gradually refined, and more reliant on clear regulatory rules to guide and maintain a fair and orderly competitive market environment, making compliance requirements and regulatory expectations clearer and more stable. It is expected that the internet industry will turn to and will maintain a normalized regulatory posture in the long run. The Company will maintain its strict compliance standard and regulate its operation in accordance with relevant laws and regulations.

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

Market Competition and Innovation Risk

The Company faces competition in every aspect of its business, and particularly from other companies in the instant on-demand delivery businesses, instore services businesses, hotel & travel services and retail businesses. To obtain and maintain competitive advantage in these business segments would require us to divert significant managerial, financial and human resources. In addition, each of the Company's business segments is subject to rapid market changes, the emergence of new business models and the entry of new and well-funded competitors. Some of its current competitors have, and future competitors may have, greater financial, technical or marketing resources, longer operating histories, greater brand recognition or larger consumer bases than it does, or may enter into business alliances that strengthen their competitive positions. Increased competition may reduce the Company's market share and profitability and require it to increase its marketing and promotional efforts and capital commitment in the future. In the meantime, the pace of technology innovation will have a certain impact on the Company's competitive position as users increasingly demand for innovation in services and products.

The management and the leaders of various business segments of the Company closely monitor the market competition, and share relevant information and their insights and judgments on the market competition in real time.

The Company has a professional team which conducts in-depth analysis and research on competition in the industry regularly and provides relevant reports to the management for reference, and supports them to formulate timely and effective countermeasures to market competition risk.

The Company continues to invest in core businesses, enhance and improve the responsiveness, functionality and features of its mobile apps, websites and systems, and strives to consolidate its core competitiveness on user end, merchant end and distribution end, in order to attract and retain users and cope with the ever-changing competitive environment.

Meanwhile, the Company has been committed to the innovation of business planning, with a focus on the core businesses while launching new initiatives, which helps strengthen the competitiveness of its core businesses, and constantly builds and consolidates its ecosystem

CORPORATE GOVERNANCE REPORT

Information Security Risk

Protection of user data and other related information is critical to the Company's business. The Standing Committee of the National People's Congress promulgated the Data Security Law and the Personal Information Protection Law in 2021. The above-mentioned laws have strengthened the security protection of data and personal information, and further refined and improved the basic principles and compliance requirements for data security management and personal information protection. The Company is strongly aware that any loss or leakage of sensitive user information could have a significant negative impact on affected users and the Company's reputation, and even lead to potential legal action against the Company. Therefore, the Company actively deploys compliance strategies to continuously improve its data security and personal information protection capabilities.

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

The Company has implemented various controls to ensure that user data is protected and risks of leakage and loss of such data is mitigated. It collects personal information and data from users in strict compliance with applicable laws and regulation, and implement company-wide policies on data collection, usage, disclosure, transfer and storage. It also encrypts user data in network transmission. For data storage, the Company uses encryption technologies at software and hardware levels to protect sensitive user data.

User data is handled strictly in accordance with the Company's defined policies. It has obtained the ISO 27001, ISO 27018 and National Information System Security Level Protection Level 3 Certification. It has established a coordination mechanism with third-party agencies to handle information security threats in a timely manner.

At the enterprise level, the Company established a systematic and universal user account authorization and management mechanism based on which it periodically reviews the status of user accounts and the related authorization information. Security configuration assessments on its databases and servers are regularly performed with implementation of procedures for system log management.

The Company has put in place a series of backup management procedures. For its AI and cloud platforms, the Company deploys different backup mechanisms, including local backups and offsite backups, depending on the needs of its business, to minimise the risk of user data loss. For its site reliability, our technical department establishes protocols for the design, implementation and monitoring of offsite backups.

The Company provides information security training to employees and conduct ongoing trainings. The Company also has an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills on a regular basis.

The Company's Audit Committee also reviews the cybersecurity updates regularly to provide suggestions and recommendations on the compliance with information security compliance requirements and for the proper functioning of the information security systems under cyberattack, to help the Company to improve customer trust and user experience. During the Reporting Period, the Company's Audit Committee held meeting in the second quarter and reviewed the latest regulatory requirements of cybersecurity and compliance process of the Company.

Crisis Management and Reputation Risk

The Company processes an extremely large number of transactions on a daily basis on its platform. With continuous expansion of its overall business scope, heightened public concerns over consumer protection and consumer safety issues, the Company may be subject to additional legal and social responsibilities and more impacts of negative publicity and regulatory concerns over these issues. If the Company does not pay sufficient attention to public opinion or if any incident arises but is not dealt with in a timely manner, its reputation, brand and image will be affected.

The Company always upholds the principle of being "customer-centric" to satisfy its customers and safeguard their interests when rendering services. Therefore, an effective risk management mechanism has been established to continuously minimize risks in the Company's ongoing business procedures or information system through a series of evaluations and analysis with an aim to optimise its management system, upgrade its risk management and continuously reduce the Company's exposure to any crisis. In addition, the Company's public relations department maintains close connections and interactions with other operation departments and related functional units, proactively responds to societal concerns and deals with crises in a lawful and reasonable manner and protects the Company's reputation in accordance with established policies and working procedures.

Fraud Risk

In light of the rapid development of the internet industry, fraud cases have occurred frequently outside and within the industry and have caused harm to the internet industry as a whole. Fraudulent activities engaged by business partners, employees or third parties may exert a negative impact on the operations, finance and reputation of the Company.

The Company consistently adheres to its fundamental principle of integrity, combats fraud and has zero tolerance for it. The Company has established effective internal control systems and continuously optimises such systems to identify and mitigate fraud risk. The Company conducts comprehensive and thorough investigation on any potential fraudulent conduct. Any fraudulent conduct will be dismissed with immediate effect and those who are involved in more serious cases will be transferred to the relevant judicial departments according to the applicable dealt with strictly in accordance with the relevant rules and regulations of the Company. Cases involving breaches of national laws and regulations will be immediately transferred to judicial departments. Meanwhile, the Company combats the illegal internet industry together with the police force and promotes the establishment of the Trust and Integrity Enterprise Alliance together with other members of the internet industry to combat internet fraudulent behaviours and to build a healthy, orderly and civilized internet ecosystem.

CORPORATE GOVERNANCE REPORT

Human Resources Risk

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

Human capital has always been the Company's core asset. The Company has formulated and implemented a series of measures to provide continuous professional development for its employees, in order to facilitate business development and to maintain sustainable competitiveness. Such measures include: (i) improving recruitment standards and attracting better talents to join the Company, raising employees' qualities from the source; (ii) increasing investment in building a study and development department covering all employees, developing the "panoramic learning map" and continuously enriching the training system that encapsulates the promotion of culture, general competency, professional expertise and leadership and to provide targeted trainings for employees; and (iii) supporting and facilitating the leadership role of its management, stimulating its employees' full potential and promoting personal development among its employees.

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

Internal Control

Based on the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organisation of the Treadway Commission ("**COSO**"), the Company established an internal control system which has been tailored to the actual circumstances of the Company. The objective of the Company's internal control is to provide reasonable assurance to the achievement of its operational, reporting and compliance objectives.

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

The Company also maintains an internal audit department which is responsible for reviewing the effectiveness of internal control and reporting any issues identified by the department to the Audit Committee. Members of the internal audit department hold regular meetings with the management to discuss about any internal control issues it faces and the corresponding measures to resolve them. The internal audit department reports to the Audit Committee to ensure that any material issue identified is delivered to the Audit Committee in a timely manner. The Audit Committee discusses the reported issues and reports to the Board when necessary.

The Company has designed and adopted strict internal procedures to ensure its business operation complies with the relevant rules and regulations. Its internal control department works closely with its business units to (i) perform risk assessments and provide advice on risk management strategies, (ii) monitor internal control effectiveness and promote risk management level and (iii) promote risk awareness throughout the Company. Apart from its internal control department, the Company has also established different functional divisions and teams to cooperate with each other in their areas of expertise in order to improve the effectiveness of its internal control systems, with details as follows:

In accordance with its internal procedures, the Company's legal department performs the basic function of reviewing and updating the form of contracts it enters into with its consumers, merchants and relevant third-parties. The Company's legal department examines the contractual terms and reviews relevant documents for its business operations, and the necessary underlying due diligence materials, before it enters into any contract or business arrangements. In addition, the Company's quality control departments of each business segments are also responsible for reviewing the licences and permits of the business partners and proposed commercial terms before it enters into any contract or business arrangements.

The Company's legal department reviews its services for regulatory compliance before they are made available to the general public. Its legal department and administrative department are responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

The business compliance departments of the Company consist of various professional functions, among which (i) the content compliance department is responsible for the compliance management of the internet content, conducts compliance reviews on the internet content through a combination of automated and manual control, and removes inappropriate content in order to mitigate compliance risk of internet content; (ii) the food safety compliance department is responsible for the food safety management, conducts study on regulations, policies and industry trend, optimizes the internal control policy of food safety, guides and supervises the implementation of food safety laws and regulations requirements and internal compliance measures in all food business segments, and enables partners such as merchants and suppliers to jointly control and mitigate food safety risks; (iii) the internet finance compliance department is responsible for the compliance risk management of the internet finance business; by analyzing rules and regulations and the regulatory environment, it provides guidance and support to each finance business line to implement rules, regulations and financial regulatory requirements, in order to mitigate financial compliance risks.

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

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

CORPORATE GOVERNANCE REPORT

Effectiveness of Risk Management and Internal Control

The Audit Committee, on behalf of the Board, continuously reviews the risk management (including ESG risks) and internal control systems of the Company. The review process comprises, among other things, meetings with management of business, the internal audit department, legal personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the management of the Company. The Board is of the view that during the Reporting Period, the risk management and internal control systems of the Company are effective and adequate.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by employees of the appropriate qualifications and experience and that such employees receive appropriate and sufficient training and development. Based on the audit report of the Audit Committee, the Board also believes that sufficient resources have been obtained for the Company's internal audit function and that its employees' qualifications and experience, training programs and budgets are sufficient.

COMMUNICATIONS WITH SHAREHOLDERS

The Company strives to provide ready, fair, regular and timely disclosure of information that is material to the investor community. Therefore, the Company works to maintain effective and on-going communication with shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information. The Company also encourages Shareholders' active participation in annual general meetings and other general meetings or other proper means. General meetings can provide an opportunity for communication between the directors, senior management and the Shareholders. The Company recognizes the importance of effective communication with Shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board of Directors or the senior management directly. Board members and appropriate senior management of the Company are available at such meetings to respond to enquiries raised by the Shareholders.

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

During the Reporting Period, the Company held an annual general meeting on May 18, 2022. Notice of the meeting was sent to the Shareholders on April 25, 2022, at least 21 calendar days before the meeting. The chairman of the Board and the chairman of each of the Audit Committee, the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee attended the annual general meeting and were available to answer any questions raised by the Shareholders. A representative of the Auditor also attended the meeting to answer any questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

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

The Company's management regularly reviewed the implementation and effectiveness of these shareholder communication channels in 2022. Having compared the implementation and outcome of the shareholder communication channels of the Group with that of the other listed issuers who principally engage in comparable industry, and their effectiveness was confirmed.

A summary of the disclosure of interests of the substantial shareholders of the Company is set out in the section headed "Report of Directors" of this annual report.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any one or more members holding as of date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition. A written requisition shall be deposited at the Company's principal place of business in Hong Kong. If within 21 days of such deposit the Board fails to proceed to convene such meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board can send their enquiries to the headquarters of the Company at Block B&C, Hengjiweiye Building, No. 4 Wang Jing East Road, Chaoyang District, Beijing, People's Republic of China to the attention of the Joint Company Secretaries or send an email to ir@meituan.com.

The Company welcomes views and enquiries of the Shareholders. Enquiries to the Board or senior management of the Company will be dealt with in an informative and timely manner.

CORPORATE GOVERNANCE REPORT

Contact Details

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

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

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

SHAREHOLDERS' COMMUNICATION POLICY

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

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

(a) Corporate Communication

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

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

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

(c) Corporate Website

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

(d) Shareholders' Meetings

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

(e) Shareholders' Enquiries

Enquiries about shareholdings

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

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

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

CORPORATE GOVERNANCE REPORT

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

During the year under review, the Company has not made any changes to its articles of association. An up-to-date version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

JOINT COMPANY SECRETARIES

Xu Sijia, a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. Xu Sijia has been appointed to succeed Wang Yixiang as joint company secretary of the Company effective since July 31, 2020. For further details, please refer to the announcement of the Company dated July 31, 2020.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Lau Yee Wa, a director of corporate services division of Tricor Services Limited, as the other joint company secretary to assist Xu Sijia to discharge her duties as a company secretary of the Company. Lau Yee Wa's primary contact person at the Company is Xu Sijia.

For the year ended December 31, 2022, Xu Sijia and Lau Yee Wa undertook not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate directors and officers' liability insurance in respect of legal action against the Directors and officers.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Please refer to Note 8 to the consolidated financial statements for details of remuneration of Directors for the year ended December 31, 2022.

Details of the remuneration by band of Directors and senior management of the Company, whose biographies are set out in the section headed "Directors and Senior Management" of this annual report, and for the year ended December 31, 2022 are set out below:

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the financial statement of the Company for the year ended December 31, 2022, and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended December 31, 2022 was approximately as follows:

Type of Services	**Amount** (RMB'000)
Audit and audit-related services	41,402
Non-audit services[(1)]	11,264
Total	52,666

Note:

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

CORPORATE GOVERNANCE REPORT

CHANGES IN CONSTITUTIONAL DOCUMENTS

No changes to the Memorandum and Articles of Association of the Company during the Reporting Period.

POLICY ON THE DISCLOSURE OF INSIDE INFORMATION

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIVIDEND POLICY

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

DIVERSITY

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

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

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

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

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. In recognizing the particular importance of gender diversity, the Company will take comprehensive measures to develop a pipeline of potential female candidate to the Board and identify and appoint at least one female director by no later than December 31, 2024. For more details, please refer to the section headed "Corporate Governance Report – Board Committees – Nomination Committee" in this annual report. In 2022, we hired 92,046 full-time employees, of which 56,829 were male and 35,217 were female. The gender ratio in the workforce (including senior management) was approximately 16 males to 10 females. The Company is aiming to achieve a more balanced gender ratio in the workforce next year and will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.

GENDER DIVERSITY

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

	Female	Male
Board	0% (0)	100% (7)
Senior Management (as listed in this Annual Report)	0% (0)	100% (5)
Other employees	38.26% (35,217)	61.74% (56,824)
Overall workforce	38.26% (35,217)	61.74% (56,829)

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 124 to 185 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORT OVERVIEW

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

We proactively communicated with key stakeholders and learnt about their concerns regarding environmental, social and governance (ESG) issues. These ESG issues were prioritised and responded in the report according to their materiality in chapters "Stakeholder Engagement" and "Materiality Assessment". Quantitative information was used to reflect environmental and social key performance indicators (KPIs) for reliable evaluation and validation. The criteria for quantification, methodologies, assumptions, and/or calculation tools for KPIs, as well as the sources of conversion factors, were indicated and explained when necessary. The statistical approach for disclosure adopted in this report is consistent with previous years. Individual changes were justified in the report alongside their appearance.

This report aims to present our ESG performance in 2022 on an objective, fair and balanced basis. It is recommended to read the governance part in conjunction with the "Corporate Governance Report" in this annual report.

Unless otherwise specified, the scope of disclosure for this report is the ESG performance of businesses directly operated and managed by the Company. The time frame of this report is from January 1, 2022, to December 31, 2022.

BOARD STATEMENT

The Board takes full responsibility for the Company's ESG strategy and reporting. The Board's Audit Committee assists the Board to oversee ESG issues. At management level, the Risk Management Committee conducts routine management of ESG issues and guides ESG practices. At execution level, the ESG Execution Team assembled by relevant functional departments coordinates and implements ESG programmes, and briefs the management and governance team periodically. The Board, the responsible management and execution team participate in ESG trainings annually, to equip themselves with specialized knowledge in ESG and keep up with the latest trends in the field.

The Company conducts materiality assessments to understand the overarching ESG issues of stakeholders' interest, develops and integrates ESG management strategies into our daily operations. The Board participates in assessing and prioritising key ESG issues and reviewing ESG management strategies on a regular basis to evaluate their potential impact on the Company's overall strategy. This year, the Company proactively handled and made progress on key ESG issues such as labour rights protection for couriers, environmental protection in the food delivery industry, green data centres, information security and privacy protection, and empowerment and development of the life service industry.

The Company recognises the significant impact that ESG-related risks and opportunities could potentially bring and thus incorporate them into our risk management system. The Board oversees the assessment of ESG-related risks and opportunities and ensures that an appropriate and effective ESG risk management and internal supervision system is in place. This year, the Company carried out risk identification, assessment, and management for ESG-related topics, such as business compliance, information security, and human resource management. Please refer to the section of "Corporate Governance Report-Risk Management and Internal Control" in this annual report.

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

OUR VALUES AND ESG MANAGEMENT

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

Based on the Company's mission and values, we have integrated the below ESG issues into our business practices and strategic planning:

1. *Environment:*
   - Advocate green consumption
   - Promote the coexistence of corporate development and environmental sustainability
   - Promote environmental protection in the industry
2. *Customers:*
   - Be customer-centric
   - Strive for excellence, continually improve, and achieve good reputation among customers
   - Improve people's quality of life
3. *Partners:*
   - Achieve win-win cooperation with ecosystem partners
   - Provide partners benefit assurance
   - Promote sustainable development of the industry

4. *Operation:*

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

5. *Community*:

   - Support solving more social issues
   - Create greater social value
   - Become a socially-responsible enterprise
   - Promote community participation in public service activities

ESG Management

To better implement our ESG management strategies and strengthen our competence in sustainable development, we established a three-tier structure of "Governance-Management-Execution", which contains documented rules that define the duties and responsibilities of each tier in facilitating our ESG work. This structure is expected to assist us with the long-lasting ESG administration of the Company, the cooperation with stakeholders, and the realisation of our mid-to-long term strategic goals.

Governance

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

The Audit Committee is responsible for supervising critical ESG items. It reviews the ESG prospects, strategies, frameworks, principles and policies of the Company. It reviews and supervises the Company's ESG practices. It also monitors and evaluates the establishment and progress of the Company's ESG goals, and briefs the Board on the aforesaid matters.

Management

The Risk Management Committee is the management body responsible for ESG matters in the Company. It discusses the significant ESG issues, reviews the Company's ESG prospects, strategies, frameworks, principles and policies, guides ESG practice, and reviews the establishment and progress of the Company's ESG goals.

Execution

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

Stakeholder Engagement

We actively listen to and respond to the demands of stakeholders. According to "Environmental, Social and Governance Reporting Guide", we identified the key stakeholders and collected their main concerns through various means of communication.

The main stakeholders, concerns, and means of communication utilised this year are listed as follows.

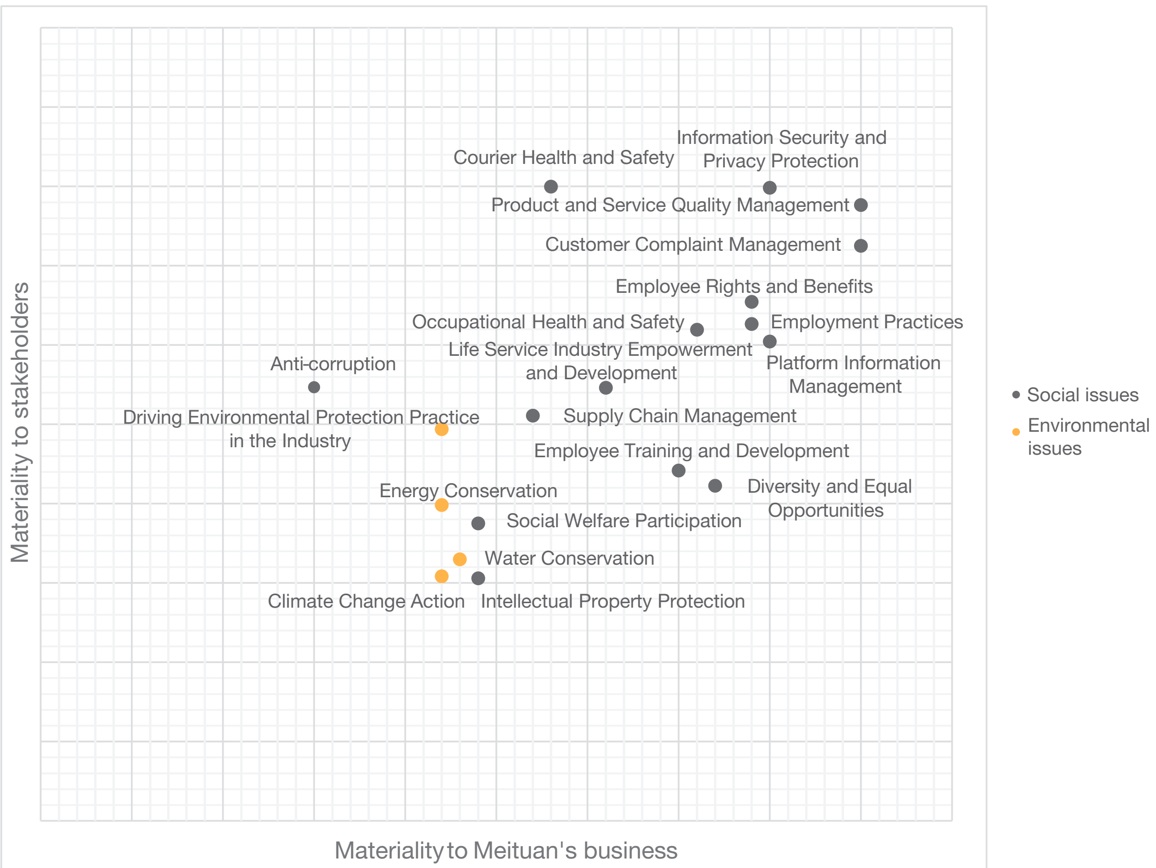
Main stakeholders	Main ESG concerns	Main communication channels
Government and regulatory bodies	Product and Service Quality Management, Anti-Corruption, Platform Information Management, Employment Practices, Courier Health and Safety, Information Security and Privacy Protection, Climate Change Action,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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Main stakeholders	Main ESG concerns	Main communication channels
Media and non-governmental organisations	Courier Health and Safety, Product and Service Quality Management, Customer Complaint Management, Driving Environmental Protection Practice in the Industry, Energy Conservation, Life Service Industry Empowerment and Development, and Water Conservation	Social media, official website, press conference, information-sharing meeting, dedicated customer service
Couriers	Courier Health and Safety, Customer Complaint Management, and Product and Service Quality Management	Courier feedback session, grievance/ complaint hotline, product experience project

Materiality Assessment

In 2022, through communication with internal and external key stakeholders and business impact analysis on ESG-related issues, we conducted a materiality assessment as a reference for our action planning and report preparation. The result of our materiality assessment is presented by the following figure. Issues mentioned in the assessment will be discussed individually in this report.



ENVIRONMENT

We continuously move towards an environmentally friendly operation by proactively identifying and managing major environmental risks and striving to minimise the impact of our operation on the environment. We are also committed to green development of the entire value chain and ultimately improving the overall capacity and performances of environment management of the industry.

Practising Green Operations

We strictly abide by environmental laws and regulations such as *Environmental Protection Law of the People's Republic of China* and *Law of the People's Republic of China on Energy Conservation*. Authorised directors from relevant departments are designated to supervise the Company's environmental management. They constantly stimulate our routine management and business operations to follow the principles of green operation and environmental management.

Green Workplace

The main resources consumed in our workplaces are electricity, water, and paper. Major types of waste we generated include life waste, electronic waste, fluorescent tubes, batteries, toner cartridges, ink cartridges, etc. We implement a variety of measures for energy and resource conservation, and our waste sorting and treating follow the waste management compliance requirement. To improve the efficiency of our environmental management, we monitor data of energy and resource consumption as well as waste treatment in our workplaces across the country through a unified online system. In 2022, we upgraded the energy consumption data collection system to achieve higher efficiency and greater accuracy through automation.

In terms of energy conservation, we adopt various initiatives in workplaces including (i) energy saving of lighting: promote energy-saving LEDs, replace manual controls with sound-activated ones, shorten the duration of illumination, and conduct regular inspections to ensure all lights are off when the office is empty; (ii) electricity saving of air conditioning: reduce air conditioning system energy consumption by installing centralised air control systems in selected meeting rooms and cafeteria, and utilise back-end switch and thermostat control to reduce waste of energy; (iii) electricity saving of equipment: shut down non-essential equipment in some offices and washrooms during off-hours; and (iv) enhancing the management of electricity consumption: establish monitoring and control of monthly and quarterly workplace electricity consumption to detect and evaluate abnormal conditions in electricity consumption. Additionally, we set up signs next to thermostats and switch panels to raise employee-awareness of energy conservation in workplaces.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To reduce paper use and water consumption, we install sensor taps for selected office areas and set up signs to remind our employees to conserve resources. Double-sided mode is set as default for all printers in our offices to encourage double-sided printing. Recycling bins are placed next to the printers for higher paper utilisation.

In terms of waste treatment, we strictly follow local authorities' requirements on waste treatment in our areas of operation. In all headquarter offices, dustbins are categorised to collect different types of waste. Hazardous waste from offices (such as fluorescent tubes, batteries, toner cartridges, and ink cartridges) is collected separately and handed over to qualified agencies for further treatment. Among them, waste toner cartridges and ink cartridges generated by printing equipment are all handed over to printing service suppliers for recycling and disposal. For electronic waste (such as waste computers, monitors, telephones, projectors), we have formulated an internal processing procedure for unified management, and hand the waste over to professional institutions for harmless disposal and recycling. We classify the garbage generated in the cafeteria simultaneously. The recyclable garbage and kitchen waste are transported by dedicated recycling companies, who are required to keep the bins neat and closed, change the garbage bags in time and avoid remaining waste during garbage transportation.

Environmental Management of Data Centres

The Company does not yet have its own data centre. Actively responding to the policy guidance such as the *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy* and *Guiding Opinions on Strengthening the Construction of Green Data Centres*, we consider environmental protection capabilities and low-carbon development performances as important factors when selecting data centre suppliers. Before renting a data centre, we consider various factors related to its location and operation including environmental impacts, resource consumption, renewable energy (hydropower, wind, and solar photovoltaic power generation, etc.) utilisation conditions, and regional climatic conditions, and give priority to eco-friendly data centres. We require data centre suppliers to strictly abide by the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Soil Pollution Prevention and Control Law of the People's Republic of China,* the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes* and other laws and regulations, and review and conduct assessment based on their environmental impact assessment reports and energy-saving assessment reports. Besides, we require data centre suppliers to formulate a Standardised Manual on Safe and Civilised On-Site Construction and a Manual on Hazardous Waste Management to integrate the prevention of pollutants at source, process control and end treatment into the whole process of project operation, and to refine the management of waste collection, storage, and recycling of on-site construction.

In response to the national strategy of "transferring computing resources from the east to the west", we are working to optimise our geographical deployment of data centres. We increased the data processing capacity for our existing data centres in Beijing, Shanghai, and other areas; and rented two large-scale data centre industry parks in Huailai, Hebei which were largely customised for our business. These data centres have formed four regional computational clusters based on the latency feature of our businesses. In addition, the data centre in Zhongwei, Ningxia is mostly powered by renewable energy. By advanced structural design, server arrangement, temperature control, heat recovery and other technical means, it has achieved an annual average power usage effectiveness (PUE) of 1.25, lower than 1.3, the maximum value stipulated for newly constructed large-scale and above data centres in the *Three-Year Action Plan for New Data Centre Development (2021-2023)* issued by Ministry of Industry and Information Technology of the People's Republic of China. Moreover, according to the national standard *Maximum Allowable Values of Energy Efficiency and Energy Efficiency Grades for Data Centres*, we are gradually withdrawing from data centres with low energy efficiency. In 2022, we stopped using two data centres of this kind.

Environmental Management in Retail Businesses

We apply energy-saving technology in our cold chain management, logistics and transportation, and warehouse systems, and continue strengthening refined operation, to reduce resource consumption in our retail business and improve resource efficiency.

In terms of cold chain management, we continue promoting environmental-friendly renovation measures in resource circularity and reuse, reduction by design, and energy saving and carbon reduction: (i) resource circularity and reuse: use radio frequency identification (RFID) technology to identify and manage products to reduce loss and waste; replace single-use dry ice with reusable ice packs; (ii) reduction by design: design a way to reduce the use of packaging material of take-out containers for fruits and vegetables, single-use plastic bags, and other disposable packaging materials as well as circulating baskets and transportation trays without sacrificing performance or function; (iii) energy saving and carbon reduction: conduct refined onsite management of electricity-using equipment, by optimising cooling parameters, developing lighting switch on and off strategies according to changes in season, locations, and different equipment requirements, and regularly reviewing and adjusting these management solutions; explore the intelligent options for energy consumption management, such as real-time control of cold storage temperature through internet of things (IoT), which could also detect and intervene with abnormal temperature situations and improve other electricity consumption patterns timely.

In terms of logistics management, we adopt several measures to promote energy saving and emission reduction through refined operation and pilot research on new-energy vehicles (NEV): (i) refined operation: monitor vehicle loading during routine operation, perform regular maintenance for the best possible state of vehicles; record the fuel consumption of different models, and formulate driver assessment standards according to vehicles' efficient speed; increase the proportion of large transport vehicles to reduce the total number of dispatches, improve the transport efficiency and save energy consumption while assuring customer experience; (ii) NEV model research pilot: continually evaluate the application potential of various transport vehicles and conduct research on NEV models. In 2022, we have piloted the replacement with electric trucks in some cities.

In aspects of warehouse network planning, we continue increasing resource efficiency by improving the site distribution of our network of warehouses and inventory management of products. In particular, we took several measures including (i) assessing product demand of merchants and consumers, carrying out research on location distribution of warehouses, aiming to shorten the transportation distance from warehouse to merchants and consumers, in order to reduce the carbon emissions in the process of transportation; and (ii) relying on the pre-sale and consumer self-pick-up mode, greatly shortening the inventory turnover cycle, and reducing energy consumption caused by products storage.

Promoting Green Development of the Industry Chain

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

Meituan Food Delivery Environmental Protection Action in the Industry

We respond to the laws and regulations, and policy guidance requirements of the *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy by the Communist Party of China Central Committee and the State Council*, the *Action Plan for Plastic Pollution Control of the 14th Five-Year Plan, Anti-Food Waste Law of the People's Republic of China* and *Promoting Green Consumption Implementation Plan*.

Meituan Food Delivery launched the "Lush Mountain Project" in 2017 as the food delivery industry's first action plan to focus on environmental protection. "Lush Mountain Project" has built a green and low-carbon consumption ecosystem in cooperation with the entire food delivery industry and consumers, and made contribution to the low-carbon society transformation. In 2022, on the basis of our vision of "Better Life, Better Nature", we focused on developing low-carbon alternatives for our business on all platforms, collaborating with our ecosystem partners for sustainable development and exploring the way of harmonious coexistence between human and nature. We continue investing in these four sections namely Green Packaging, Low-Carbon Ecology, Green Tech, and Green Charity.

Green Packaging

We actively cooperate with research institutions, industry associations, packaging manufacturers and catering merchants to carry out food delivery green packaging innovations and explore innovative and practical green packaging solutions that meet the needs of catering merchants. In 2022, we jointly launched the "Working Group on Green Packaging Application in Food Delivery" with China Packaging Federation and industry-wide organisations, and collaborated with relevant institutions, upstream and downstream enterprises to make innovative projects. Through the collaboration, we hope to promote the research and development of green packaging, as well as its application in the food delivery industry. We intend to complete the "Green Packaging Solution" of 16 categories of dishes in three phases by 2025. Meanwhile, based on the two "Lists of Green Packaging Recommendations" under the "Lush Mountain Project" published in the past years, we have clarified the recommendation directions of three major green packaging categories, "paper", "biodegradable plastics" and "recyclable and renewable plastic packaging containers", so as to provide more innovative and environmentally friendly packaging solutions to merchants. By the end of 2022, we have incubated and put 31 products with green packaging on the market totalling 2.91 million pieces.

We participate in the establishment of green packaging standards for food delivery services. We are continuously working to improve the relevant standard system under the clarified recommendations of the three major categories. We guide the supply chain of the food delivery industry to produce standardly, thereby increasing the application of green packaging. By the end of 2022, we have initiated or participated in the formulation of 8 national standards and group standards[1], including *Implementation Rules for the Design and Evaluation of Recyclable and Renewable Plastic Products – Evaluation Criteria for Disposable Food and Beverage Plastic Packaging Containers in Food Delivery (Takeaways)*, *General Requirements for Green Paper Takeaway Package*, *Recycled Polypropylene Nonwoven Tote Bag, and Closure Labels for Takeaway Food Package*.

We studied the recycling mode of take-out boxes under different scenarios and investigated the challenges and suitable recycling paths of take-out boxes. Since 2021, our recycling operation has been gradually transforming from short-term exploratory pilot programmes of take-out box recycling to large-scale regular recycling projects. By the end of 2022, we have facilitated large-scale garbage collection and plastic box recycling projects in more than 1,500 communities and institutions in 7 provinces across the country, achieving more than 6,400 tonnes of recycled disposable take-out boxes.

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

Low-Carbon Ecology

We promote the digital transformation of product and service retailing on both the demand side and the supply side. We are building a sustainable ecology involving "Merchants-Platform-Consumers". We accelerate merchants to practise sustainable operations through binding and incentive mechanisms. We guide consumers to achieve sustainable consumption through product design and publicity advocacy. Through promoting communications among multiple stakeholders, we work together to promote the sustainable development of the food delivery industry.

On the merchant side, we launched a product function called "Merchant's Lush Mountain Profile" to encourage merchants to share their environmental protection practices. The merchants are enabled to publish their consumer-visible environmental protection profiles, in which they could tag themselves with 7 merchant sustainable categories, such as "food saving action" and "low-carbon consumption improvement". Also, the merchants are enabled to improve their own environmental protection profiles by uploading environmental protection actions, making environmental protection commitments and so on. By the end of 2022, more than 2 million merchants have acquired their own "Merchant's Lush Mountain Profile" with about 40,000 merchants actively uploading their environmental protection experiences or commitments. In addition, we pay attention and respond to new consumption trends to promote food saving. We encourage catering merchants in a variety of ways to provide small-portion dishes and "One-Person Meal" packages to consumers. We also jointly released the *Insight Report on Small-Portion Dishes* with China Hospitality Association. There have been more than 5.9 million small-portion dishes provided by over 900,000 merchants by the end of 2022. Moreover, we persistently strengthen the environmental protection rules for the platform, standardise the requirements for product display, and incorporate clauses on environmental protection into the merchant agreement. We asked merchants to indicate 8 items of product information such as the product name, category, and weight on their product display page to help consumers make rational decisions and avoid food waste. In the merchant onboarding agreement, we explicitly ask merchants to use environmentally friendly tableware and packaging which meet national and industry standards, to reduce the use of disposable plastic products.

On the consumer side, we advocate sustainable consumption. We launched a text-reminder function on the food-ordering page, so that when consumers order a certain amount of food, they would receive a notification of "please order food in moderation, which is environmentally friendly and healthy", and a reminder of "please strictly practise thrift and avoid waste" on the order page. In addition, since September 2017, with both online and offline resources, in cooperation with public welfare organisations, industry associations, merchants, and other relevant parties, we have established "Meituan Food Delivery Environmental Protection Day", launching a number of environmental protection advocacy activities such as "No Need for Cutlery", garbage classification, food waste reduction and wild animal protection. By the end of 2022, more than 300 million consumers have used the "No Need for Cutlery" option.

On the industry side, we actively promote sustainable operations in the Chinese catering industry. In 2022, jointly with the School of Environment, Tsinghua University and China Chain Store & Franchise Association, we carried out the research work of "Quantitative Evaluation of Food Consumption Reduction Paths", quantifying and making comparison analysis on the food waste condition of different dining methods. In the research, we also made an overall evaluation on the potentials and effects of carbon reduction and typical food waste reduction measures, proposing feasible paths and development directions of food waste reduction for the Chinese catering industry. We also cooperated with the China General Chamber of Commerce and the China Environmental Protection Foundation to launch a study on the low-carbon action guidelines for catering merchants. We released the *Research Report on Low-Carbon Action Guidelines for Catering Merchants*, analysing the merchants' carbon emissions, and presenting the excellent practice cases of energy conservation and carbon reduction. The report provides guidelines of low-carbon actions in catering merchants to better support the green and low-carbon development of the industry.

Green Tech

We launched the "Meituan Green Tech Fund" in 2021, the public welfare fund focusing on "carbon neutrality and circular economy", to facilitate the scientific exploration and technological transformation of carbon neutrality, promote the green and low-carbon development of our economy and society, as well as realise the vision of a beautiful China. The Fund focuses mainly on two directions: the "Meituan Green Tech Award", and the "Innovation China Meituan Green Tech Demonstration Project Grant", hoping to encourage more young scientists to devote themselves into research and promote the value of environmental science and technology achievements in the industry.

In 2022, we officially released the list of winners of the first "Meituan Green Tech Award", focusing on the three major topics of green low-carbon packaging materials, carbon capture and resource utilisation, low-carbon transportation and energy storage. We selected 9 outstanding young scientists who focus on improving chemical production efficiency with emission reduction, energy storage batteries, low-carbon material, etc. We rewarded each scientist with RMB1 million to encourage and support the relevant research.

We focused on three major areas of technology including green innovative packaging, green recycling, and green supply chain systems. In the first "Innovation China Meituan Green Tech Demonstration Project Grant", finally we selected 9 projects for funding and support, consisting of 6 green innovative packaging projects, 2 green recycling projects, and 1 green supply chain project, with a total funding of RMB19.5 million, and a total industry-supporting investment of RMB150 million. We helped with landing a number of innovative, leading, and market-oriented projects that have large potential influence to make great achievements. By the end of 2022, all plastic take-out box recycling pilot projects have been put into operation, and a total of over 3,900 tonnes of plastic take-out boxes have been recycled.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Green Charity

We partnered with the China Environmental Protection Foundation to establish the "Lush Mountain Nature Guard Campaign". This foundation provides financial support to social organisations and scientific research institutions and takes nature-based solutions, to carry out public welfare projects in conservation areas to improve the ecological quality in these areas, as well as enhance the adaptability of mankind towards climate change, and maintain the harmony between human and nature.

In 2022, the "Lush Mountain Nature Guard Campaign" sponsored environmental protection organisations and scientific research institutions to implement 28 environmental welfare projects national-wide, with a funding of RMB11.5 million. The environmental welfare projects we supported focus on nature-based climate change solutions, and mainly emphasize on developing "ecological protection and restoration", "sustainable community building for protected areas", as well as "first-line scientific research support on protected areas" in conservation areas. The projects have directly benefited tens of thousands of people.

We utilised the platform's influence on welfare, encouraged platform merchants to participate in public welfare projects to become Lush Mountain Charitable Merchants, thereby building an environmental protection public welfare ecosystem. Since the launch of "Lush Mountain Public Welfare Action", the number of the Lush Mountain Charitable Merchants has grown rapidly. By the end of 2022, more than 850,000 merchants have joined the "Lush Mountain Public Welfare Action" and have implemented more than 80 public welfare projects. Among these projects, more than 32,600 people have been benefited by the funded projects of ecological poverty alleviation and nature conservation action.

Meituan Bikes and Meituan Electric Mopeds' lifecycle Environmental Management

Green concepts are integrated into the lifecycles of Meituan Bikes and Meituan Electric Mopeds. The rule of "3 Rs" - reduce, reuse, recycle - is strictly followed in the design, procurement, manufacturing, placement, operation, and disposal of the products. During the design process, the components are designed universally adaptable and easy to maintain. The frames are designed in a light-weighted way. We choose suppliers with enhanced environmental management level in the procurement stage and require the suppliers to produce durable products in the manufacturing stage to extend product life and reduce waste. We also select environmentally friendly lithium batteries for electric mopeds in the manufacturing stage. During the placement, operation and disposal stage, based on scientific standardised placement and smart scheduling procedures, we renovate components of bikes and mopeds for reuse by storing and recycling the components separately according to their condition. Hazardous wastes such as batteries in locks and batteries powering electric mopeds are uniformly handed over to bike lock and battery suppliers for recycling. Meanwhile, non-hazardous wastes such as bodies and tyres are recycled in cooperation with resource recycling companies to form a closed-loop supply chain. 100% of scrapped bikes are reused or recycled. In 2022, Meituan Bikes and Meituan Electric Mopeds were certified by China Communications (Beijing) Transportation Product Certification Center as lifecycle "Carbon Negative" and were invited to attend the 27th United Nations Climate Change Conference to share the "Chinese Story" about how Meituan Bikes and Meituan Electric Mopeds promote a green and low-carbon lifestyle.

In 2022, users of Meituan Bikes and Meituan Electric Mopeds reduced about 455,000 tonnes of carbon emissions through their green and low-carbon cycling.

Climate Change Responses

Considering the potentially significant impact on the environment, society, and our operations, climate change is one of the most important issues to all stakeholders. We have conducted impacts assessment of and developed actions on climate change.

In terms of physical risks, extreme weather such as high-temperature, floods, typhoons, and rainstorms that occur due to climate change may affect our workplace operations, employee safety, and provision of products and services. To avoid and reduce the Company's casualties and negative impacts on business operations caused by extreme weather, we have formed extreme weather management mechanisms and developed comprehensive response plans. In terms of management structure, the Safety Assurance Group of the Risk Management Committee is responsible for the overall coordination, while the Safety Management Personnel of the Risk and Integrity Management Committee is responsible for implementing specific management, thereby flexibly responding to different types of extreme weather scenarios and ensuring the employees' safety and the business operations. In terms of emergency plans, we developed the Extreme Meteorological/Geological Disaster Emergency Plan, to systematically manage emergency measures for extreme weather in the workplace and business operations. With the general principle of overall coordinating with flexible response to extreme weather, we have added "High-Temperature Prevention and Response Plan" in response to frequent high temperatures in recent years, and continuously record response measures taken previously and make adjustments when necessary. In terms of construction and application of the weather forecast system, we continually provide weather forewarning to employees and merchant partners across the country through the "Weather Forewarning System". In 2022, we optimised the "Weather Forewarning System" and implemented the customised function of the weather warning system, such that employees and partners can subscribe to the weather warning notification in the work platform, and customise the subscription to specific cities, administrative districts, and extreme weather types, such as rainstorms, typhoons, and high-temperature. In 2022, we sent 150,000 weather warning notifications in total. In terms of emergency response arrangement, before extreme weather occurs, we predict the scope and impact of extreme weather, and activate the plan in time. When extreme weather occurs, we continually adjust the response level, respond, and meet assistance needs. In regard to extreme high-temperature situations, we have built an emergency support team, to guarantee normal operation at workplaces and employee safety. In workplaces where operation cannot return to normal due to extreme high temperatures, we notify employees to work from home to reduce health and safety risks. After extreme weather occurrence, we evaluate the loss, and gradually restore the workplace and business operations. In addition, we reflect on our emergency plans and seek better solutions. Meanwhile, we invited experts to communicate popular science knowledge on high-temperature weather safety prevention and heatstroke for groups such as employees, couriers, and warehouse distribution drivers. Moreover, we launched the heatstroke prevention through videos on the Couriers' App and provided heat prevention medication to couriers and warehouse employees.

In terms of transitional risks, facing the trend of China's green economic development and low-carbon transition, we actively manage the carbon emissions generated by our own operations, comply with, and respond to national regulations and policies related to reducing carbon emissions. We evaluated the impact of the application of emerging low-carbon technologies, the deployment of data centres with higher energy efficiency, and the procurement of low-carbon environmentally friendly materials in our business. We closely monitored the regulations and policies related to climate change and carbon emissions reduction which may have a significant impact, and we analysed the policy trends and prepared in advance. We applied low-carbon technologies to our workplaces and rented data centres to reduce energy consumption and carbon emissions. For more information, please refer to the chapters of "Green Workplace", "Environmental Management of Data Centres", "Environmental Targets" and "Green Procurement" in this report.

In terms of climate-related opportunities, we actively seek opportunities of voluntary carbon reduction while providing products and services, and focus on reducing the carbon footprint of our products and services. Meanwhile, we combine business attributes to promote industry chain carbon reduction and guide consumers to foster low-carbon and environmentally friendly consumption habits. For example, we launched the "Lush Mountain Project" to persistently strengthen the investment in the four major sectors of "Green Packaging", "Low-Carbon Ecology", "Green Tech" and "Green Charity", thereby promoting the low-carbon development in the industry. The shared riding service provided by Meituan Bikes and Meituan Electric Mopeds has lower carbon emissions than other modes of transportation, which could contribute to the transformation of green and low-carbon travel in urban transportation. At the same time, Meituan Bikes and Meituan Electric Mopeds practised the concept of lifecycle environmental protection management and continually reduced environmental impact. In the process of retail business development, we explored resource conservation and carbon reduction opportunities through multiple practices, such as optimising product packaging, reducing product storage cycle and piloting electric trucks, in the process of cold chain management, transportation logistics and warehouse planning. For more information, please refer to the chapters of "Meituan Bikes and Meituan Electric Mopeds' lifecycle Environmental Management" and "Meituan Food Delivery Environmental Protection Action in the Industry" and "Environmental Management in Retail Businesses" in this report.

Environmental Targets

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

Environmental targets	2022 progress of the environmental targets
Starting from 2022, waste sorting in all headquarter offices will be conducted.	All headquarter offices have implemented sorting wastes by categories by 2022.
Starting from 2022, electronic wastes generated in all headquarter offices will be 100% treated for harmless disposal.	Electronic wastes generated in all headquarter offices have been 100% treated for harmless disposal by 2022.
Starting from 2022, all offices will stop from using fluorescent tubes for all newly renovated or entirely replaced lighting systems.[2]	All newly renovated or entirely replaced lighting systems in our offices have stopped using fluorescent tubes by 2022.
Using running water consumption per employee in 2021 as a benchmark, by the end of 2026, running water consumption per employee in headquarter offices will be reduced by 8% compared with 2021.	The running water consumption per employee in headquarter offices has been reduced by 9% in 2022 compared with 2021, mainly due to the work-from-home measure and employee office work control during COVID-19 in 2022, leading to the decrease of running water consumption per employee.
Using total energy consumption per employee in 2021 as a benchmark, by the end of 2026, total energy consumption per employee in headquarter offices will be reduced by 8% compared with 2021.	The energy consumption per employee in headquarter offices has been increased by 15% in 2022 compared with 2021, mainly because of the increased workplace area in 2022. In addition, due to COVID-19, we often kept the windows open for ventilation in each workplace, increasing the electricity consumption of ventilation, leading to the increase of electricity consumption per employee.

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

2 As the Company puts forward higher environmental management requirements for newly renovated or entirely replaced lighting system, we expanded the coverage of this environmental target in 2022, from headquarter offices to all offices.

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Environmental Performance Indicators

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

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

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

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

Emissions[3, 4, 5, 6]

HQ offices	**2022**
Total GHG emissions (tonnes)	26,509.59
Total GHG emissions per employee in office (tonnes per employee)	0.49
Total GHG emissions per square metre floor area of the office (tonnes per square metre)	0.05
Total hazardous waste (tonnes)	3.73
Hazardous waste per employee (tonnes per employee)	0.00
Total non-hazardous waste (tonnes)	4,741.09
Non-hazardous waste per employee (tonnes per employee)	0.09

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

4 GHG emissions include carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and calculated based on the *2019 Baseline Emission Factors for Regional Power Grids in China for Emission Reduction Projects* issued by the Ministry of Ecology.

5 The Company's hazardous wastes mainly contain waste lead-acid batteries, waste fluorescent tubes, toner cartridges and ink cartridges from offices, which are disposed by qualified institutions. In 2022, the actual hazardous waste per employee in the HQ offices was 0.00007 tonnes, and the actual hazardous waste per employee in regional sales offices was 0.00007 tonnes. The data listed in the table above is rounded to two decimal places.

6 The Company's non-hazardous wastes mainly include domestic waste and waste electronic equipment from various types of offices. Domestic waste mainly includes office waste, which is handled by the property management companies, and we calculate such waste according to the *First National Census on Pollution Sources - Manual for Waste Generation and Discharge Coefficients in Urban Households* published by the State Council of the PRC. Waste electrical equipment is handed to professional institutions for harmless disposal and recycling.

Regional sales offices	2022
Total GHG emissions (tonnes)	6,431.53
Total GHG emissions per employee in office (tonnes per employee)	0.19
Total GHG emissions per square metre floor area of the office (tonnes per square metre)	0.02
Total hazardous waste (tonnes)	2.48
Hazardous waste per employee (tonnes per employee)	0.00
Total non-hazardous waste (tonnes)	3,119.50
Non-hazardous waste per employee (tonnes per employee)	0.08

Warehouses and service stations	2022
Total GHG emissions (tonnes)	175,652.07

Energy and Resources Consumption [7, 8, 9]

HQ offices	2022
Total energy consumption (MWh)	40,062.96
Total energy consumption per employee (MWh per employee)	0.74
Total energy consumption per square metre floor area (MWh per square metre)	0.07
Running water consumption (tonnes)	336,487.42
Running water consumption per employee (tonnes per employee)	6.48

Regional sales offices	2022
Total energy consumption (MWh)	10,830.60
Total energy consumption per employee (MWh per employee)	0.31
Total energy consumption per square metre floor area (MWh per square metre)	0.04
Running water consumption (tonnes)	49,978.61
Running water consumption per employee (tonnes per employee)	3.75

Warehouses and service stations	2022
Total energy consumption (MWh)	300,169.93
Running water consumption (tonnes)	1,274,302.29

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

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

9 The Company's core businesses do not involve production process, do not produce finished products, therefore the Key Performance Indicators A2.5 finished products' total amount and density is not applicable to the Company.

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WORKPLACE

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

Employment and Labour Standards

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

Recruitment and Departure Management

We recruit candidates who match the positions the most. We treat different races, ethnicities, genders, ages, and religious beliefs equally to ensure that admission and development opportunities are accessible to all. We issued the Job Posting Policy of Meituan to standardise and better manage recruitment and prevent the use of discriminatory words or statements in breach of the principle of equal opportunity in job descriptions. We issued the Employee Recruitment and Selection Policy to clarify the code of conduct for the whole recruitment process and the penalties for possible violations such as discrimination. We organise recruitment training and conduct regular reviews to continually optimise the recruitment process, ensure the implementation of our equality and diversity policies, and ensure the compliance of recruitment.

We advocate a candidate-centric recruitment concept. We recruit suitable candidates in a scientific and equal manner. During the interview process, we check candidates' work experience and skills, which enables us to employ qualified candidates who meet job requirements. In the meantime, we formulated internal policies such as Interviewer Management Specifications to standardise the management of the candidate interview process while ensuring that the interview process brings an enjoyable recruitment experience to candidates, under the circumstances of guaranteeing the compliance of the interview process.

We strictly abide by relevant laws and regulations and communicate with employees adequately regarding their departure. We formulated Employee Departure Policy, a standard procedure to protect employees' rights on departure.

Labour Standards

We have formulated the Attendance Management Policy and Integrity Workplace Code of Conduct to protect our employees' legal rights and interests. We avoid child labour by verifying the identification documents of candidates before employment, and no illegal employment incidents such as child labour have occurred since the establishment of the Company. We respect the willingness of employees at all stages of employment to ensure that employees participate in work voluntarily and avoid forced labour. We have formulated an internal management system following the requirements of relevant laws and regulations, specifying the remedial measures that should be implemented under instances of child labour and forced labour.

Compensation and Benefits

We offer competitive salaries and performance-based incentives to all employees. Moreover, we grant share-based incentives for our core positions and employees who have contributed to our corporate's long-term development to motivate them continue creating value for the company and our clients, as well as making their interests consistent with the shareholders' interests.

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

Performance and Promotion

We have established a position ranking and incentive system, and formulated policies such as the Performance Management Policy, the Position Ranking Management Policy, and the Position Ranking Review Plan, to standardise the position management system and to set a clear path for promotion. We improved the performance review procedures to help employees with career capacity building based on the job requirements.

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

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

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Work-Life Balance

We formulated the Attendance Management Policy, Holiday Management Policy, and other policies to manage working hours with certain flexibility. We ensure employees have statutory holidays, annual leave, and fully paid sick leave. In 2022, we added parental leave, extended marriage, maternity, paternity, and other leaves in addition to the existing leaves.

We offer facilities, including gyms and libraries and hold employee-culture activities like "Family Day" and "Xiaomei Day" during festivals such as Spring Festival, Mid-Autumn Festival, International Women's Day, and Children's Day. We host club activities for sports, entertainment, and social events nationwide in over 40 social clubs. Employees are free to join various clubs and participate in employee activities in order to relieve work pressure and enrich their spare time. We also established "Heart-Warming Classes" on the theme of "body" and "mind" to protect the physical and mental health of our employees. In 2022, we conducted the "Heart-Warming Group" employee satisfaction survey project to understand employees' sense of identity and expectations to the Company.

Communication

We set up a variety of internal channels, such as internal communication channels, social media, HR helpdesk, and employee engagement meetings. In 2022, we continued expanding the employee communication channels, including improving the communication system in the internal official account and establishing a mobile internal employee social platform to encourage employees to communicate with others and create an open and equal working environment. We proactively listen and promptly respond to employees' suggestions and feedback to help the management better understand employees' demands and working experiences while hosting employee engagement meetings as a channel for information exchange. We also proactively communicate with the employees regarding their general concerns and develop routine communications with related employees according to the concerned themes through online and offline channels.

We introduced the Measures for Releasing Institutional Policies and built a platform for internal policy release to strengthen management and communication of the Company's institutional process. We interview the employees to protect their rights before the official release of significant policies directly relevant to their interests.

Occupational Health and Safety

We provide a safe working environment for our employees. We abide by the *Labour Law of the People's Republic of China*, the *Work Safety Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, and other laws and regulations concerning occupational health and safety and fire prevention.

We established internal policies including the Administrative Measures for Access Control of Office Areas, the Fire Safety Management Policy of Meituan, and the No Smoking Management Policy in Office Areas to improve our workplace safety management. Some of our workplaces obtained ISO 45001 occupational health and safety management system certification and proceeded annual audits on their management systems. In 2022, we transferred the occupational health and safety system management experience and mechanism to other workplaces. On the basis of the existing workplace risk assessment mechanism, we identified and quantified the main factors that affect the occupational health and safety risk level, according to the types of workplaces. We continued to update and implement practical occupational health and safety risk management methods under actual workplace scenarios. In the workplace, we appointed safety specialists to facilitate the workplace safety risk identification, operation control, compliance evaluation, and internal audit, and strengthened enterprise safety management through the closed-loop management of "planning-implementation-inspection-improvement" to reduce safety risks.

We implemented a number of workplace safeguarding measures, including (i) launching a 24-hour Security Operations Centre to respond to emergency and remotely monitor potential risks; (ii) setting up an office security system to manage the safety of employees in working areas; conducting regular fire safety inspections in offices and rectifying hazards; (iii) continually optimising the Company's first aid system, formulating first aid response procedures, and establishing a three-level response strategy composed of security personnel, health cabins, and employee volunteers; continually expanding the Company's first-aid certified lecturer team, and increasing the number of automated external defibrillators (AED) installed in the workplace. By far, we have achieved full coverage of AED for all headquarters and regional workplaces with more than 300 employees to ensure the demand for first aid equipment in emergency situations; (iv) organising safety trainings and emergency drills on a regular basis and formulating specific publicity plans about safety, according to major events and seasonal safety characteristics. We continually innovate publicity event planning and delivery methods, to improve employees' experience and awareness. In addition, we established an emergency handling process to respond to employee safety accidents promptly and properly.

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We continually strengthen front-line employees' health and safety protection capabilities, including sales and warehouse management employees, to reduce the probability of safety accidents in high-risk work scenarios and reduce harm from occupational diseases through multi-level protection practices. Our protection practices include (i) improving the warehouse operation environment, formulating warehouse operation safety manuals, standardising the use of warehouse equipment, identifying and rectifying potential safety hazards timely, and organising employees to supervise warehouse operation on site; (ii) strengthening the safety awareness training of sales employees while adding reflective strips to the employees' electric vehicles to reduce the probability of traffic accidents; (iii) hiring professional physical and mental health service agencies for employees to evaluate their mental health and improve their mental stability through professional trainings; (iv) formulating clear safety rules and regulations for field operations; discovering safety hazards through morning meetings, routine inspections, etc., and actively responding to them; and (v) setting up certification system for occupational health and safety management for selected business lines, in order to standardise and systematise occupational health and safety management.

Our employees' physical and mental health is crucial to us. We monitor air quality, drinking water, and lighting condition in our workplace to provide a comfortable working environment for our employees. Consulting services and essential medicines are available at health stations in some offices. We provide annual physical examinations and supplementary medical reports interpretations. In 2022, we organised a series of "Healthy Lectures, Heart-Warming Class" seminars on routine. It focused on four major topics: health, sports, psychology, and career development. The seminars attracted nearly 30,000 times of participation of employees from 118 cities across the country. Meanwhile, we proactively organise activities, such as "Ten Physical Examination Quiz". The online public science education articles were viewed more than 100,000 times, improving employees' health awareness. We also offer shoulder and neck massage services for employees in main workplaces to relieve physical discomfort caused by sedentary work. We served employees over 3,700 times in 2022. We have an Employee Assistance Programme and partner with external organisations to offer mental health hotline and regular mental health training sessions to reduce employees' stress.

In 2022, we carried out regular pandemic prevention and control management during the COVID-19 pandemic. We adopted various measures to reduce the risk of infection. We installed devices to measure body temperature at all workplaces and provided masks and other healthcare equipment. We established a daily reporting system to collect information on employees' physical conditions. Nucleic acid testing was arranged for employees, and abnormal situations were treated promptly. In 2022, we organised on-site vaccinations for employees and stopped office visits in cities with high pandemic risks. All our offices complied with the requirements of the local government to prevent the pandemic by carrying out office disinfection and continuous management of workplace pandemic prevention.

Employee Training and Development

We set up a talent development department covering all employees, emphasis on the concept of "truth-seeking and being practical", with a focus on "talent development", "cultural heritage", and "knowledge management" to create a talent development system that conforms to industry development and represents our characteristics. We continue improving the training management mechanism and formulate internal management policies, such as Internal Curriculum Management Policy and Internal Lecturers Management Policy, to standardise the planning, implementation, and management of training.

We have established a training framework to improve employees' management capabilities and professional skills. We work continually to improve our employee training systems, develop courses on different topics, integrate various learning development programmes, improve course quality, and create learning products that are suitable for employee development. Through close cooperation between our talent development and business departments, we develop customised learning programmes, standardised learning products, and personalised learning programmes, providing employees with on-demand training regardless of location or time limitations. We conduct a series of digital training systems, such as digital learning products and digital organisation support mechanisms. In 2022, we formulated the Online Course Management System (Trial Operation) to promote knowledge accumulation by internal experts and improve the quality of online learning resources through institutionalised management.

We conduct face-to-face classes, online courses, and practical activities, covering different positions, grades and development stages of employees. For newly recruited employees, we provide online, offline and other various forms of training, aiming to improve their professional skills, help them better integrate into the workplace, become more competent for their positions, and seek their own career development directions. For campus recruited employees, we offer a three-year talent training plan covering company culture, management systems, business capabilities, etc., to help these employees achieve role transformation. For our employees, we provide skill trainings based on the workplace scenarios to improve their professional quality and ability. Employee's general workplace skills are delivered through methods that are more in line with the learning habits of young employees. We hold regular trainings on important laws and regulations to improve employees' legal awareness. We carry out special training on information security to enhance employees' awareness of information security. For different levels of management, we create learning materials that satisfy learning requirements of different levels of management, conduct the leadership training project "Prosperity Plan" and the management basic skills training project "New Tree Plan". Among them, the "Prosperity Plan" helps employees strengthen their comprehensive understanding of business, business thinking, and improve their ability to formulate functional strategies, team building, and horizontal collaboration through offline training, pre-training online learning, and post-training feedback follow-up. The "New Tree Plan" aims to help managers understand the role of managers, to have a clear development direction, and to meet the key challenges of their current role. For sales employees of different types and in different growth stages, we provide specific training plans. Through the teaching modes of the online and offline combination, we integrate various teaching methods such as "online learning", "centralized training", "apprenticeship" and "benchmarking sharing" to help front-line sales employees better understand the industry and the customers they are serving, master professional knowledge and skills, and get familiar with sales service process.

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Workplace Performance Indicators

Employment

Indicators		2022
Total number of employees		92,046
Number of employees by gender	Male	56,829
	Female	35,217
Number of employees by age group	Age 30 and under	58,236
	Age 31 to 50	33,796
	Above age 50	14
Number of employees by geographical region	The Mainland of China	92,038
	Hong Kong, Macao and Taiwan	5
	Other countries and regions	3
Number of employees by management level	Management	528
	Non-management	91,518
Number of employees by employment type	Full-time	91,932
	Contractors and other types	114
Total turnover rate		23.21%
Employee turnover rate by gender	Male	23.56%
	Female	22.62%
Employee turnover rate by age group	Age 30 and under	25.57%
	Age 31 to 50	19.44%
	Above age 50	40.00%
Employee turnover rate by geographical region	The Mainland of China	23.20%
	Hong Kong, Macao and Taiwan	60.00%
	Other countries and regions	0.00%

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

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

Health and Safety

Indicators	2022	2021	2020
Number of work-related fatalities	2	0	0
Rate of work-related fatality	0.0022%	0	0

The number of working days lost due to work injuries in 2022 was 8,561.5 days[10].

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

Employee Training

Indicators		2022
Percentage of employees trained by gender	Male	99.98%
	Female	99.99%
Percentage of employees trained by management level	Management	99.81%
	Non-management	99.98%
Average training hours of employees by gender	Male	30.38
	Female	29.59
Average training hours of employees by management level	Management	30.54
	Non-management	30.08

SUPPLY CHAIN MANAGEMENT

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

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

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Standardised Supply Chain Management

We have established the Code of Conduct for Meituan Employees & Suppliers, Code of Conduct for Business Communication of Procurement Management Department, Communication Guidelines for "Separated Employees" Associated Partners, Procurement Management Department Supplier Blacklist Management Conduct. In addition, we identified and managed key procurement segments by introducing management regulations, including the Purchasing Demand Management Process, Purchasing Source Management Process, Supplier Management Process, Bidding Management Specification, Procurement Contract and Order Management Process, and Purchase Acceptance Management Process. In 2022, we added more than 10 procurement management rules, aiming to continually strengthen the standardised management of procurement sectors and to form a standardised management system that covers all activities of the whole procurement process and restrains procurement behaviours of all procurement categories.

Supplier Compliance Management

Before official engagement, we require all suppliers to complete real-name authentication, sign our Anti-Commercial Bribery Agreement, Confidentiality Agreement, and Commitment of Self-Discipline, and abide by the regulations of anti-corruption, confidentiality, and behaviour with integrity. In 2022, our 2,439 newly added centralised procurement suppliers completed the signing of the Anti-Commercial Bribery Agreement, Confidentiality Agreement, and Commitment of Self-Discipline.

We have implemented supplier feedback and review mechanisms. Suppliers can report any corruption-related issues during business cooperation to us on Meituan official websites or via a questionnaire on the procurement supplier portal. We regularly review suppliers' compliance performance and set up an operational mechanism of supplier blacklist for centralised procurement. If a violation committed by a supplier was confirmed, cooperation would be suspended or ended, and the supplier would be disqualified.

We are dedicated to fostering a corporate culture of integrity for employees and suppliers. At the employee level, we enhance the professional capabilities of our employees in procurement and supplier management positions through internal sharing and training, promoting the implementation of suppliers' management systems. At the supplier level, we continue promoting the awareness of integrity cooperation, regularly conduct supplier integrity training, and send integrity reminder emails to suppliers on certain holidays. In 2022, we hosted 11 integrity cooperation training sessions.

Management of Supply Chain Environmental and Social Risks

We pay attention to environmental and social risks in the supplier's onboarding and cooperation process.

In the supplier admission process, we require suppliers to provide qualifications for relevant products or services and proof of no violations of law and discipline in accordance with established standards, and review the corporate reputation of suppliers by checking the corporate credit information disclosure system (National Enterprise Credit Information Publicity System) and other means. We require suppliers of specific categories to meet the qualification requirements of Environmental Management System or Occupational Health and Safety Management System and verify the authenticity and accuracy of information about suppliers. For example, to ensure the management level of food safety, occupational health and safety, we require the catering suppliers to provide five management system certificates, including ISO 45001, ISO 14001, HACCP and so on when they are admitted. We set up a supplier management team and introduce third-party on-site inspections for key suppliers, including on-site risk evaluation and information verification, in order to assess suppliers ESG risks.

We manage and track suppliers' qualification and performances to continuously evaluate their professional services capabilities during their execution of contracts. We maintain a database of qualified suppliers, and all suppliers listed in the database have been audited for supplier access. In the event that a current supplier ceases to work with us due to environmental and social risks and issues, we will use alternative suppliers to ensure that products or services are delivered on time.

Green Procurement

We value our responsibility in environmental protection when procuring products and services. In 2022, the Company invested more than RMB200 million in packaging bags made of environmentally friendly materials, including fully biodegradable bags, non-woven bags, and environmentally friendly paper bags for all lines of business. To improve equipment's energy efficiency and pollutant emission control, we prioritise the energy-saving and environmental-friendly options available on the market. When choosing kitchen equipment, we select energy-saving gas stoves and automatic spray dishwashers and add UV lights to the exhaust hood to reduce particulate matter emissions.

Number of Suppliers

Number of suppliers by geographical region	2022
The Mainland of China	35,213
Hong Kong, Macao, and Taiwan	1
Other countries and regions	14

"Number of suppliers" refers to the number of suppliers in collaboration and maintained in the supplier management system as of December 31, 2022. "Region" refers to the place where the suppliers are registered.

Management and Protection of Couriers

Our platform requires a substantial number of couriers to provide delivery service. The safety and rights of couriers are essential to our supply chain's social risk management and socially responsible commitments. Couriers are recruited by our delivery partner through our platform and are labours of new forms of employment. We permit our delivery partners to use our logo. We require our partners to comply with the requirements of relevant laws and regulations, set recruitment standards for couriers, and comply with operation and delivery standards as contracted to protect courier's safety and labour rights. Meanwhile, we diligently fulfil our social responsibilities, from the perspectives of guaranteeing courier's rights and interests, protecting courier's safety, improving courier's experience, promoting courier's career development, providing life care etc. We work continually to improve couriers' experience through projects and measures including "Tongzhou Project".

Supervising Delivery Partner

We require our delivery partners to have a complete safety training system and a safety management system for couriers, and provide safety trainings before couriers onboarding and advance safety trainings when couriers have received a certain number of orders after onboarding. In addition, delivery partners need to offer monthly safety trainings on routine. For couriers who had traffic violations or accidents, special training is also required. We require the delivery partner to set training assessment standards based on the content involved in safety trainings, such as traffic rules, riding-related safety, emergency response, and dress codes. The delivery partners need to ensure the couriers to pass the assessment before they start working. We consider courier riding safety management performance in the delivery partner assessment. We restrict the development of the delivery partners who fail to meet the standards in couriers' safety training assessment or have safety accidents with major responsibility. For delivery partners with poor safety management performance, we take actions such as restricting their expansion, dismissing some or all their sites, and charging penalties. We built evaluation mechanisms on delivery partners' compliance on safety policies. Dynamic indicators are set up according to changes in the safety environment. For example, during COVID-19, the evaluation has incorporated indicators such as the rate of wearing masks and nucleic acid results to strengthen safety management and supervision. In addition, we operate and work continually to improve the delivery partners' remote monitor centres, encourage them to update their safety equipment, and persistently monitor the safety equipment operation status.

By formulating delivery partner management standards of employment, we established explicit requirements for fair employment for couriers. We strictly prohibit delivery partners from engaging in any form of discrimination during courier recruitment. We require delivery partners must not discriminate against women or people with disabilities and must not threaten the fair employment rights of workers in any form. Meanwhile, we enhance the delivery partner's management of the couriers' compensation, assuring couriers are properly paid on time. We optimise order structures to ensure a stable income for couriers.

We cooperated with commercial insurance companies to develop commercial insurance suitable for couriers and improve commercial insurance protection such as third-party liability insurance. Depending on the types of couriers, we require partners to purchase "employer's liability insurance" for couriers, working together with partners to launch "personal accident insurance" products for couriers. We require the insurance enrolment rate to reach 100% during the couriers' service time, providing more protection for couriers' personal and occupational safety. We continue improving the commercial insurance and its claim process. We launched the "Couriers' Direct Compensation Project" so the couriers can self-claim their settlement through one click on their Apps. This improved claim settlement efficiency and enhanced the couriers' experience. In addition, we are actively cooperating with relevant departments and participating in the pilot project of occupational injury insurance for couriers who are labours of the new form of employment in seven provinces or cities including Beijing and Shanghai aligned with the national unified work arrangement.

Guaranteeing Courier Rights and Interests

We carry out a variety of measures to ensure courier's rights and interests protection, while implementing supervision and requirements on delivery partners. Our measures include (i) strengthening the protection of couriers' income through "Rating Service with Stars" incentive mechanism tested with our partners in more than 80 cities across the country. This mechanism replaces direct deduction in courier income with demotion of courier rating as the consequence of overdue orders, to reduce the impact of unexpected events on courier's benefits; (ii) implementing the courier's complaint mechanism by sorting out delivery overtime related complaints caused by more than 30 special scenarios, such as "unable to contact the user", which allows couriers to eliminate the negative impact of the complaints; (iii) adjusting the courier delivery order dispatch system and the longest delivery distance in special weather conditions.

Protecting Courier Safety

Through dispatching system optimisation, intelligent equipment application, Couriers' App optimisation on "Security Centre" function, fire risk prevention and control during recharging, safety awareness training and improvement of traffic accident handling procedures, we help couriers handle and reduce the security risk during delivery services and continuously improve the safety capabilities of couriers. Our measures include (i) continually optimising the order dispatch system to establish appropriate delivery time limit, route settings, and flexible delivery time frame for couriers. Offering complaint channels for couriers to extend the delivery time limit for special scenarios such as severe weather and delayed preparation of meals to improve delivery safety; (ii) providing software and hardware support for couriers, including smart earphones, smart helmets, back-lights on helmets, voice control system etc; In 2022, we developed a customised second-generation smart helmet with wearing detection function, so that couriers can perceive their wearing status in real-time. As a result, the couriers' helmet wearing rate is effectively improved and riding safety risks are continued to be reduced; (iii) aggregating various safety and security measures related to courier daily delivery, covering severe weather warning, courier insurance checking, safety knowledge, emergency contact person, case reporting, etc. via online safety centre in the couriers' order receiving App; (iv) testing the "Couriers' Accident Warning" function, identifying couriers in need through technical means, thereby providing online and offline emergency support; (v) strictly standardising the use of batteries and charging equipment for electric mopeds; promoting a charging and battery replacement network development, and providing a dense network of safe charging and replacement devices, thereby mitigating fire risks when couriers are charging; (vi) launching safety training course on Couriers' App and "Help by My Side" emergency training project, briefing couriers on traffic safety, fire safety and first aid knowledge; In 2022, we hosted more than 7,000 safety trainings, covering content about traffic safety, fire safety, food safety, etc., involving more than 52.93 million times of couriers' participation; (vii) incorporating safety into couriers' bonuses, ensuring them to value delivery safety; and (viii) establishing a process to handle traffic accidents and safety incidents, and assigning full-time safety personnel to manage the process.

During the pandemic, we adopted timely measures to reduce health and safety risks for couriers, including (i) complying with local pandemic prevention policies by reviewing the nucleic acid test results reported by couriers. Couriers with abnormal health conditions are not allowed to carry out delivery services. Meanwhile, delivery partners need to arrange rest periods according to couriers' physical condition; (ii) ensuring the sufficient supply of materials for pandemic prevention such as masks, antigens, and medicines for couriers; (iii) arranging "Care Hotel" projects which provide free accommodations for couriers affected by the pandemic lockdown in some cities; (iv) launching contactless delivery, releasing Specifications on Contactless Restaurant Services, piloting autonomous delivery and providing smart takeout cabinets in some cities, to reduce the risk of cross-infection between clients and couriers; (v) making transparent health information connection between merchants and couriers through health cards and other aspects; (vi) educating couriers about disease prevention and control, to improve couriers' knowledge of disease prevention, improving the Manual on Psychological Protection of Couriers during COVID-19, and offering a series of courses on psychological service for couriers during the pandemic to take care of couriers' mental health; and (vii) providing free security and subsidy schemes which cover COVID inspection, suspected cases screening, quarantine, diagnosis, and treatment. In addition, we offered subsidy solutions for couriers' family members infected by COVID-19, including life and care funds, compensation, and security subsidies.

Improving Courier Experience

We implemented several measures to continually improve couriers' experience, including (i) carrying out several algorithm optimisation work by collecting opinions and suggestions from stakeholders such as couriers and external experts, as well as conducting user surveys in some cities. Algorithm optimisation work includes adjusting the "estimated delivery time" to "estimated delivery time frame" to allow users to have more reasonable expectation of delivery time, and to reserve more buffer time for couriers. After the implementation of relevant improvements, the abnormal situation caused by couriers' overtime and the rate of negative comments both have decreased. By the end of 2022, we have disclosed the algorithm rules six times in total; (ii) launching "Hearing-Impaired Courier Care" function to provide specific assistance to the minority courier group. Couriers with hearing difficulties can complete delivery tasks through "Meal Delivery Care" function, such as convenient electronic communication cards and electronic cards for asking the way; (iii) hosting activities such as "Couriers Feedback Sessions" and opening a dedicated courier right protection hotline to listen extensively to the voices of couriers.

Promoting Courier Career Development

We promote courier's career development, including (i) actively helping new couriers quickly master basic delivery skills, through projects including "Experienced Couriers Help The New", distributing new courier care order and providing disclaimer card, to help new couriers familiarise themselves with working mechanism, master professional skills, better integrate and grow; at the same time, adding "Order Receiving VR Simulation" function to the Couriers' App and hosting operation courses to help new couriers immerse themselves in learning order receiving skills, order delivering skills; (ii) continually improving training and development system and helping couriers acquire various knowledge and skills covering topics of daily life and work through "E-Learning Platform for Couriers", "Station Master Training Plan", "Courier Job Transfer Program" and other projects, stimulating couriers' potential and providing them with diverse possibilities in career development; and (iii) collaborating with The Open University of China, offering the "Couriers Go to Universities" project, providing a financially worry-free studying channel which supports couriers who need to advance academic qualifications, expanding their growing potential, and sending high-quality talents to the industry.

Providing Life Care

We support the couriers' physical and mental health, work and life, family, and union participation by (i) enhancing the "Tongzhou 1 m^2 Protection" self-service health area, which integrates functions such as couriers' health promotion, service guidelines, service applications, feedback, medical equipment and medical supplies display to help couriers acquire proper health support; (ii) setting up courier's mental health counselling hotline and mental health mini-classes, helping them relieve pressure and negative emotion in their daily work and life, and maintain a positive and optimistic mindset in a scientific and comprehensive manner; (iii) providing 7*24 hours online health counselling and medicine-delivery services for couriers and their families. Couriers can acquire free consultation from doctors or pharmacists through the Couriers' App and receive monthly allowances for medicine purchase, thereby reducing their medical expenses and associated financial pressure; (iv) carrying out "Mobile Medical Vans" project in some cities, to provide couriers with a variety of free routine physical examinations, and provide professional and free cervical and breast cancer screening services for female couriers; (v) optimising the working environment of couriers, and providing different care measures according to seasonal changes, such as adding heatstroke prevention stations, issuing special weather subsidies, and other care measures; (vi) hosting the "717 Couriers Festival" for five consecutive years since 2018, and organising activities such as the National Couriers' Basketball League, the Mobile Game Challenge, and the Site Get-Together to strengthen couriers' sense of identity; (vii) setting up a funding for serious diseases to assist the families of couriers who suffer from serious illnesses. In 2022, a total of 374 couriers and 1,147 couriers' family members were assisted, with a total of RMB65.56 million distributed, providing effective help for the courier's family to overcome the difficulties; (viii) continually promoting the "Baby Kangaroo Charity Project" through the Meituan Public Welfare Foundation to help couriers resolve dilemmas related to couriers' children who may suffer from serious illnesses, accidental injuries, and other difficult situations. At the same time, we established "Baby Kangaroo Charity Home" with charity organisations, in Yanjiao Country, Hebei, and Haidian District, Beijing, providing free accompanying education and after-school care to couriers' children. By the end of 2022, we have assisted 545 couriers' children who were in serious illnesses and provided emergency medical assistance equivalent to about RMB21.364 million; "Baby Kangaroo Charity Home" has offered about 2,500 times of extra-curriculums, after-school care, and pre-school courses, served a total of 28,000 times cumulatively; and (ix) promoting the development of couriers' union, undertaking initiatives such as "Labour Warming Service Season Under New Employment Trend" and other union activities to provide life care to couriers.

PRODUCT RESPONSIBILITY

Platform Responsibility

Meituan is a tech-driven retail company. It offers diversified daily goods and services in the broader retail by leveraging technology, including food delivery, in-store, hotel and travel booking and other services and sales. In accordance with the requirements of the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, *E-Commerce Law of the People's Republic of China*, the *Measures for the Supervision and Administration of Food Safety in Online Catering Services* and other laws and regulations, we systematically manage the products and services provided by the platform in terms of security, merchant management, customer service, etc., to protect the legal rights and interests of consumers.

Safety Guarantees

Food Safety

We place great importance on food safety. In accordance with the requirements of the *Food Safety Law of the People's Republic of China*, the *Regulation on the Implementation of the Food Safety Law of the People's Republic of China*, the *Measures for the Supervision and Administration of Food Safety in Online Catering Services*, the *Measures for the Investigation and Punishment of Illegal Acts Related to Online Food Safety,* the *Provisions on the Supervision and Administration of the Implementation of Main Responsibility for Food Safety by Enterprises* and other laws and regulations, we hold responsibility for the food safety supervision and administration within our platform, as well as our retail businesses.

We are dedicated to fulfilling our responsibility of food safety, optimising our food safety management system, and continually enhancing our organisational capacity on food safety and human resource guarantee. At the Company level, we have established the Food Safety Committee and Food Safety Office to take responsibility of formulating strategies, building competence, interpreting laws and regulations with further implementations, coordinating multiple business lines to ensure food safety and setting external cooperation on food safety issues, thereby achieving efficient and unified cooperation among the management of food safety. At the business line level, we have arranged a quality control team for different business types to undertake specific food safety compliance requirements in the areas of qualification examination of partner merchants, supplier's on-site audit, products warehousing, in-stock management, transportation, and distribution.

We regularly follow up on food safety regulations, and make timely and dynamic adjustments to compliance requirements, to better identify food safety risks and make improvements, thereby continually improving the food safety level of our platform and retail business. We have established an emergency response system to clearly define the procedures and measures of food safety emergencies. We cooperate with relevant food safety supervision and related authorities to ensure proper emergency handling, as well as implementing appropriate treatment measures according to the specific situation. We have established food recall management measures to clarify the recall process and the disposal method of unsafe food. We did not have any significant health and safety-related recalls during this year.

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From the perspective of food safety in food delivery services, we develop and update internal policies such as the Food Safety Management Measures for Meituan Online Food Ordering, the Online Catering Service Provider Review and Registration Specifications and the Food Safety Issues in Meituan Delivery Processing Specifications. We optimise the offline inspection mechanism of merchants' food safety. We objectively evaluate the food safety performance of merchants by conducting regular food sampling tests in delivery services through partnering with third party testing agencies and provide timely recommendations and solutions to problems identified in the process to help and guide merchants to improve their food safety management continuously. To strengthen the food safety guarantee, we applied daily cleaning and disinfection to delivery boxes and collaborated with market supervision and management departments as well as industry partners to promote applications of take-out sealing methods, such as food safety sealing labels. Under the guidance of the China Cuisine Association, we cooperated with industry partners to jointly publish the first group standard, *the Management of Safe Takeaway Restaurant*, guiding merchants to protect the food safety environment, and promoting the healthy and orderly development of the food delivery ecosystem. Moreover, we continue exploring and promoting food safety liability insurance, and other measures of food safety guarantee to increase the protection level of consumer rights and interests.

From the perspective of food retailing, we strengthen the development and implementation of our food safety management system. We have formulated and improved food safety management systems, including stocking inspection, on-site supplier audit, third-party inspection, and acceptance examination. In the supplier admission stage, we check suppliers' qualifications, including business licence, food production and operation licence and filing, product qualification certificate, etc. For food suppliers with large volume of purchases and sales, we proceed with on-site inspections, random inspections, and other methods to monitor the compliance of their production and operation processes. In the process of product storage, we conduct sensory inspections to safeguard the quality and safety of products. In addition, we perform rapid detections for fresh agricultural products with high food safety risks by establishing rapid assessment laboratories. In terms of product selling, we have established quality control system, using quality and safety data analysis models to monitor the food safety performance of the products, and take timely control measures for products with food safety issues. We strengthen cooperation with third-party testing agencies, regularly conduct specific food safety sampling and promptly take control measures to unqualified products. We actively carry out the standard construction of retail food in the industry. For example, under the guidance of the China Aquatic Products Processing and Marketing Alliance and the China Chain Store & Franchise Association, we collaborate with industry partners to jointly publish the *Specification of quality management for live whiteleg shrimp in preposition warehouse pattern*. The guidance standardises the quality control of live whiteleg shrimp in the instant retail industry's preposition warehouse pattern throughout the entire process of purchasing, storing and delivery, to better meet consumers' demand for fresh aquatic products.

From the perspective of community e-commerce food, we are committed to developing food safety management model that aligns with community e-commerce ecosystem and establishing food safety and quality guarantee system for the entire workflow. Through food safety control and collaboration between merchants, product warehouses and self-pickup points, we strive to improve food safety management capabilities in all stages. We dynamically monitor the quality and safety of food sold through the platform by using a variety of methods, including sampling and intelligent evaluation. We partner with merchants to continually improve food quality and ensure community e-commerce food safety. In collaboration with the China Chain Store & Franchise Association and industry partners, we formulated several food safety group standards such as *Guidelines for Food Safety Control of Community E-Commerce Merchants Entering* and *Guidelines for Food Safety Control of Community E-Commerce Stores* for key components in the community e-commerce, to promote the formalisation and standardisation of food safety management in community e-commerce industry and boost the development of industry in a standard way.

From the perspective of self-operated brand food, we have formulated the Guidelines for Safety Management and Control of Self-Operated Brand Commodities and Food and relied on our quality control team to clarify our responsibilities in food safety management. We have established and continuously updated self-operated food safety management system covering supplier entering, warehouse acceptance, shelf storage, warehouse storage, transportation and distribution, and complaint handling. In conjunction with third-party testing agencies, we conduct regular sampling on self-operated food to enhance food safety evaluation and improve the management of suppliers.

We are responsive to the need of food safety management during the emergencies and pandemic. In 2022, we continued to strictly enforce imported cold chain food control measures to minimise the pandemic spread risk from cold chain import, and to protect the safety of employees, merchants, couriers, and users to the full extent. In the post-pandemic phase of resumption of production and work, we invited authoritative experts from institutions such as the China National Centre for Food Safety Risk Assessment to issue the Safety Guidelines for Restaurants in Resuming Work and Production after COVID-19, clarifying the key points of food safety for merchants after resuming work. We promoted this guidance via multiple platforms, such as regulatory departments and industry associations, assisting merchants to manage food safety after resumption of business.

We continually organise food safety trainings for employees, couriers, suppliers, and merchants to promote our food safety culture, and enhance awareness and capability of food safety compliance. Meanwhile, we collaborate with market supervision departments to carry out the "Safe 365" public welfare training programme on food safety. By the end of 2022, the "Safe 365" programme has carried out a total of 136 trainings in 21 provinces including autonomous regions and municipalities, and 182 cities covering approximately 3.85 million catering practitioners across the country. For employees, we conducted 12 "Food Safety Lecture" training sessions where industry experts are regularly invited to share food safety regulations and policy updates, and good management practices. At the same time, through cooperation with third-party organisations, we granted food safety competency certification for quality control employees to continually improve the team's knowledge and application of food safety regulatory requirements and practical knowledge. For couriers, we provided regular trainings on food safety and code of conduct during delivery process. For suppliers, we carried out regular special trainings to promote "Key Points on Food Safety Management". For merchants, through food safety online column "Safe Catering", we regularly sent popular science articles and practical suggestions. In 2022, the "Safe Catering" articles received 3.6 million views.

We actively support the social co-governance of food safety. We participated in the national "Food Safety Publicity Weeks" activity to advocate food safety culture and good practices. We strengthen government and business collaboration in food safety through supporting the co-construction of food safety demonstrative stores, districts, and cities. We continued piloting the online exhibition of "Bright Kitchen and Stove" for catering merchants and exploring various ways of government and business collaboration to improve the food safety synergy of delivery food governance. We continue strengthening communication and cooperation with industry associations, universities, and scientific research institutions to promote innovation and application of food safety solutions for our platform and retail businesses.

Ride-Sharing Safety

Abiding by the *Interim Measures for the Administration of Online Taxi Booking Business Operations and Services*, we pilot the ride-sharing and information-matching services. We and our service providers hold ride-sharing licences in our areas of operation. We register and review vehicles and drivers engaged in ride-sharing services according to regulatory regulations. We require that the vehicles participating in ride-sharing services meet the technical safety standards, and that the drivers shall satisfy the requirements of driving experience, comply with rules on safe operation, have no record of serious violation of traffic rules, criminal offence, or violent crime.

We continue fulfilling safety management responsibilities and improving safety management effectiveness. We have established several city-level safety management committees, while continue strengthening the management responsibilities of the Rider-Sharing Risk and Integrity Management Committee, thereby forming a two-tier safety organisational structure. In 2022, we constructed a conscientious management system for ride-sharing, implementing more than 40 management actions around operational safety, pandemic prevention and control, and driver and vehicle compliance, and continually improving the professionalism and standardisation of safety management.

To guarantee the passenger safety, we take several safety management measures for online ride-sharing to regularly manage and monitor the service quality and safety, including (i) continually conducting psychological health assessments, identifying drivers with high psychological risk, and taking timely solutions; (ii) strictly implementing online and offline safety trainings such as pre-job trainings, daily trainings, and misconduct correction trainings for drivers, and advocating daily safety to passengers and partners; (iii) continually conducting facial recognition for drivers before daily operation and carrying out sample testing on trip compliance; (iv) continually operating and optimising functions such as trip recording and one-click alarms, implementing a 24-hour security duty system, checking drivers' daily safe service behaviours, constructing a hazard inspection and processing mechanism; (v) improving the product function of pandemic prevention, implementing offline pandemic prevention processes, and verifying the execution certificates of pandemic prevention measures which are uploaded by drivers and passengers, to comply with local pandemic prevention requirements; (vi) customising and installing driving recorders, developing relevant App operation and maintenance tools and algorithm models, realising real-time identification and recording of abnormal conditions inside cars during service; (vii) carrying out offline emergency handling and rescue drills to continually improve various emergency plans; and (viii) establishing crisis classification standards, strengthening cooperation with public security organisations, and enhancing guidelines for emergency procedures.

Biking Safety

We value the safety management of the Meituan Bikes and Electric Mopeds service, strictly abiding by relevant national standards regarding the R&D and production of bikes and electric mopeds, such as the *Safety technical specification for electric bicycle (GB17761-2018)*, to carry out vehicle quality testing to ensure vehicle safety.

We take several initiatives to ensure the safe use of shared bikes and electric mopeds, including (i) ensuring the reliability of operated vehicles through several management methods such as preventive maintenance, problem identification, automatic off-line of malfunctioning vehicles, and overall vehicle maintenance; (ii) equipping vehicles with loading sensors, monitoring vehicle speeds and areas of operation, monitoring and managing other high-risk riding scenarios to manage riding risks; (iii) applying user real-name authentication, facial recognition and other technical means to prevent underage riding and account sharing; (iv) through the App's pop-up notifications before riding and voice messages triggered by unlocking, reminding users on the potential risks; (v) obtaining riding accident insurance for users to protect users and third parties' personal safety and property security.

We assist the regulatory authorities to promote and manage users' rider behaviours. In cooperation with regulatory authorities, we make animated videos to promote riding safety, record traffic safety mini-classes, and conduct offline safety publicity in cities across China to raise public awareness of safe riding. In addition, we help the regulatory authorities regulate users' riding behaviours and vehicle parking to create a good riding environment.

We continuously upgrade our vehicle models to offer customers a comfortable experience with guaranteed vehicle safety. We launched the X1 model, the first comfortable moped in domestic shared bike industry, which won the Red Dot Award and the iF Design Award in 2022.

Merchant Management

Abiding by the *Electronic Commerce Law of the People's Republic of China*, the *Tourism Law of the People's Republic of China*, *Regulations on Travel Agencies*, the *Interim Provisions on the Administration of Online Tourism Business Services* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, we have formulated rules and policies for the management of merchants on various platforms. Our rules and policies include, Meituan Merchant Integrity Evaluation and Management Measures, the Policy on Merchant Integrity Management, Regulations for the Release of Merchant Information, Convention on Merchant Integrity and Management Measures, Specifications on Meituan Food Delivery Provider's Service, Management Measures for Meituan's Non-Reception of Catering Merchants, Measures for the Administration of False Transactions by In-Store Catering Merchants, Meituan Food Delivery Policy for the Release of Non-Food Information, Management Measures for Contract Compliance Guarantee of In-Store Merchants, Policy for False Transactions by In-Store Merchants, Regulation on Meituan Alternative Accommodation Landlord's Integrity, Meituan Homestay Price Operation Standard, Regulations for Ticket Supplier of Meituan In-Store Business Group and Rules on Meituan Travel Merchants. In 2022, we revised the Policy on Merchant Integrity Management to further standardise the management measures for the improper behaviours of merchants such as order denial actions in service scenarios, to continually improve the service awareness of merchants and user experience.

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We guide merchants to provide safe, healthy, and convenient products and services to consumers. We undertake multiple projects to standardise the quality of merchants to enhance consumers' experience. For example, for catering snacks, merchants and well-known catering snack chain brands have jointly formulated the group standard *Operation Requirements for Snack Chain Enterprises in Digital Services of Catering*. This standard is established by the China Hospitality Association, aiming to guide chain enterprises of catering snacks to realise digital service and management and enhance service competitiveness. For hotel merchants, we worked with the China Hospitality Association to issue *The China Hotel Industry Pandemic Prevention and Self-Discipline Convention* and implemented the "Pandemic Prevention and Disinfection Project". The project sets out our standards for different hotels including e-sports hotels and cinema hotels in terms of hygiene and cleaning, meeting the demands of users in the corresponding scenarios. For the ticket merchants of scenic spots, we continually promote the "Elderly-Friendly Ticket Project". Based on the operational difficulties of online ticket purchases for the elderly, we optimise the user interface, simplified the operating procedure, and use intelligent methods to improve the operation. In 2022, we enabled our App with functions, such as smart identification of the elderly, automatic switching to the elderly-friendly version of operation and recommendation pages, and voice feedback on pages, to help solve the problem of the elderly using intelligent systems and provide better service experience.

We have established a training system for merchants on our platform, enhancing merchants' skills and knowledge about our business operations through online and in-person trainings. We continue carrying out diversified training courses and sharing activities for different business areas, including (i) providing a platform for merchants to carry out industry experience learning, sharing cutting-edge industry information and opinions in the form of live streaming and other activities, improving the quality of merchant services, thereby promoting the common development of the industry; (ii) carrying out publicity to promote legal knowledge, enhancing merchants' awareness on rules of our platform, guiding merchants to abide by the bottom line rules of the platform, operating and conducting business in compliance with laws and regulations; and (iii) organising live Q&A for merchants, instant answering questions in business operations, which opens up new communication channels for merchants and platforms.

We supervise and assess platform merchants' quality of service and take appropriate actions in violations such as service non-conformance, fake advertising, fake transactions, fake stores, and fake listing of real estate sources. In response to certain merchant violations, we, as a clue provider, have established a joint working mechanism with the public security authorities. We have established a systematic violation handling process and hierarchical punishment mechanism, to standardise the behaviour of merchants and safeguard consumers' rights and interests, by way of warnings, adjusting search results, obscuring ratings, fining, banning account, or suspending businesses and stores, according to the severity of the violation.

Customer Service

We strive to improve customer satisfaction by providing high-quality customer service. We have established several operation centres across Shijiazhuang, Yangzhou, Nantong, Wuhan, Chengdu, and Xiamen with professional service teams. We practise smart customer service, equipping teams with intelligent assistance that can quickly answer high-frequency and repetitive questions, handle standardised tasks automatically, to address unexpected business peaks, and improve our efficiency of customer problem handling. We quickly identify possible service problems by using the intelligent quality inspection system to improve customer service management efficiency.

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

We enhance the professional capability of our customer service staff to resolve customer issues by sorting out major customer service procedures and increasing their knowledge on procedures in different business scenarios. We grant customer service personnel with flexibility and authority so that they can deal with different situations and hence provide better service and experience to customers. For example, if we receive complaints regarding a merchant refusing to serve a customer, once these complaints are confirmed, service personnel could be authorised to suspend the merchant from listing products on the platform until the rectification is completed.

Since 2018, we have won the CCM World Group's Golden Headset championship for three consecutive years, which rated us "China's Best Customer Centre". Based on the award judging rules, as a member of the "Golden Headset" Directors Club, we permanently retain the Golden Headset. In 2022, we participated in the Beijing Workers' Vocational Skills Competition and the inaugural Information and Communication Industry Service Competition organised by the Beijing Communications Administration and Beijing Federation of Trade Unions. We took second place in the team competition and received the Excellent Organisation Award.

In 2022, we received a total of 989,556 customer complaints, which accounted for 14/10,000 of the total number of service times, and 96.4% of the complaints were resolved within 3 working days.

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Intellectual Property Rights

We recognise the importance of protecting intellectual property rights (IPR) and thus focus on IPR application and accumulation. We conduct IPR management in accordance with the *Copyright Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, and other relevant laws and regulations in China and other jurisdictions where we operate.

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

We foster a culture of innovation, respect and encourage originality, and enhance the accumulation of our own intellectual property rights. Based on the standards of patent output and value evaluation, we improved patent filing efficiency and output value by implementing our Guidelines for Patent Application, reviewing pre-patent proposals, and applying for text quality sampling. Also, we motivate innovations and patent applications through mental and material incentives. In 2022, through tracking of important projects and setting systematic operational indicators of intellectual property, we continued promoting the quality management of intellectual property, to manage the Company's important innovations and improve the Company's overall ability in intellectual property management in terms of quantity and quality.

We respect the IPR of other parties and protect IPR owners' rights and interests with measures such as formulating user agreements and IPR protection mechanisms on our platform. Once receiving infringement notices, we delete or block the offending item in accordance with relevant laws and regulations, and complaint-supporting materials. We protect IPR owners with a closed-loop management mechanism of the front-end, mid-end, back-end, and co-governance and supervision, including (i) front-end: building a brand protection database to intercept the source of infringing stores; (ii) mid-end: establishing a long-term brand monitoring mechanism and continuously enhancing control efforts to promote compliance operations of existing merchants; (iii) back-end: launching and iterating our IPR protection platform to serve brand owners on their requests and complaints, and improve processing efficiency and transparency; and (iv) co-governance and supervision: collaborating with IPR owners, regulatory agencies, the public, etc. for collaborative governance, actively building "Brand Protection Service Station" to assist the IPR owners to immediately submit protection requests to the platform, introducing a public review mechanism to allow public participation in the formulation of intellectual property protection rules, and publishing special reports to accept supervision from the public. In 2022, we customised and released the online course "What Trademark Problems Do You Need to Solve for the Development of Catering Brand" for catering merchants, which was studied 130,000 times in total.

We are the vice president unit of the Patent Protection Association of China. We have been granted the titles of "National Outstanding Intellectual Property Enterprise", "Zhongguancun's Intellectual Property Leading Model Enterprise" and "State Intellectual Property Office Auditor Practice Base". In 2022, our self-developed automatic distribution vehicle design patent won the "23rd China Design Excellence Award" issued by China National Intellectual Property Administration.

Information Security and User Privacy

Meituan always maintains a customer-centric approach and is committed to protecting information security and user privacy. According to the *Civil Code of the People's Republic of China*, the *Cybersecurity Law of the People's Republic of China*, *Data Security Law of the People's Republic of China, Personal Information Protection Law of the People's Republic of China,* the *Cryptography Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Minors*, the *Provisions on the Administration of Mobile Internet Applications Information Services*, the *Provisions on the Technical Measures for the Protection of the Security of the Internet*, and other relevant laws and regulations, we continue enhancing procedures and controls to manage and protect information security and user privacy.

Our governance and management level attach great importance to information security and privacy protection matters and thus make necessary improvements accordingly. The Board's Audit Committee is briefed by the Company annually regarding information security and user privacy issues, makes decisions on risk identification and assessment strategy, and supervises the effective implementation of the strategy. At the same time, we set up the Data Compliance and Privacy Protection Committee (former Data Security and Governance Committee) at management level to coordinate the internal data compliance and privacy protection management work of the Company. This Committee is responsible for the development of the Company's data compliance and privacy protection management strategy, promoting implementation, and preventing security risks in the field of data privacy.

We continue refining our data security and privacy policies including the Meituan Privacy Policy, Privacy Policy for Minors, Regulations on Privacy Protection, Security Specification of Personal Sensitive Data Application, Regulations on Data Security, Data Security Management Procedure, and Employee Information Security and Confidentiality Behaviour Standard. These regulate the collection and use of personal information, the application of cookies and similar technologies, the preservation and protection of personal information, sharing, transfer, and public disclosure, and the protection of minors' personal information. We comply with industry standards for information security and user privacy. Our main business systems are certified annually by independent third-party to ISO 27001, ISO 27018, and Level 3 Classified Protection of Cybersecurity. In addition, Meituan App received the Mobile Internet Application Security certification issued by an independent third-party China Cybersecurity Review Technology and Certification Centre (CCRC).

In terms of information security protection, we have built up security management mode covering authorisation management, security assessment, encryption, data backup, and vulnerability prevention and control. We have established systematic and universal user account authorisation and management mechanism, regularly checked the status of user accounts and related authorisation information and managed access of network devices. We periodically evaluate the security of our databases and servers. There are user data encryptions at the software and hardware level, and we strive to manage the storage of, and access to, user data with physical, electronic, and other measures, in compliance with industry standards. We protect personal information from unauthorised access, public disclosure, use, modification, damage, or loss through information contact confidentiality agreements and monitoring and auditing mechanisms. We also develop a series of backup management procedures. For artificial intelligence and cloud platforms, local or off-site backup is deployed depending on the nature of the business to minimise the risk of losing users' data. Based on the above, we constantly enhance prevention and control systems in information security, implement hierarchical data management on security vulnerabilities, undertake daily inspections, set up emergency response mechanism evaluating critical risks, compose disaster recovery plans and conduct regular drills.

Aligned with the "least-necessary" principle, we continue promoting privacy protection by strengthening the implementation of the policy, setting up a special privacy team, and strengthening the coordination mechanism with third parties. Through setting App's pop-up windows on privacy policy and privacy rule authorisation, displaying the list of personal data collected and shared with third parties, we explain to our customers on how we collect and utilise personal information, and how they can access, modify, remove, and secure their personal information. We work continually to improve the privacy protection functional components, and develop a private browsing mode, in which users can use our basic services such as browsing without providing any personal information. Users can query, correct, delete and make other operations on their personal information through the App privacy management page to protect their legal rights. We introduce the mechanism and principle of recommendation to users in the personalised recommendation related function of Meituan App, and provide convenient closing options, so that users can optimise the recommendation content through feedback.

Confidentiality agreements are signed with our employees and relevant training is provided regularly. All new employees need to take information security courses. Employees in high-risk positions must be trained immediately and pass an exam before officially starting to work. In everyday work, we educate all employees about information security and regulations via online and offline training. Our Integrity Workplace Code of Conduct and Integrity Management Responsibility Policy include stipulations regarding information security management, interaction security, and information release control on employee departure and transfer. Employees who leak data will receive severe disciplinary punishments.

We actively promote the enhancement of industry-wide data security and user personal information management capacity building. We require partners to comply with our data security specifications and review the capabilities and qualifications of service providers. As a member of the National Information Security Standardisation Technical Committee, we actively participated in the formulation of national standards for data security and user privacy. We participated in the formulation of the *Implementation guide for automatic detection of App personal information protection for mobile application distribution platform* by the China Academy of Information and Communications Technology and made suggestions on the development of industry standards.

Compliance of Content

Compliance of Advertisement

Abiding by the *Advertising Law of the People's Republic of China*, the *Regulations on Control of Advertisement*, the *Interim Measures for the Administration of Internet Advertising*, the *Interim Measures for the Administration of Censorship on Advertisements for Drugs, Medical Devices, Dietary Supplement, and Formula Foods for Special Medical Purposes* and other laws and regulations, we set up advertising acceptance, review, and file management systems. Moreover, we continue enhancing advertisement review standards and processes. In 2022, we further strengthened the ability to identify illegal advertising content such as items prohibited or restricted for sale, and inappropriate wording for retail products from the platform.

We strengthen the construction of the advertisement reviewing team, organise learning and training sessions, publicise compliance knowledge and cases of violations to increase the risks awareness in advertisement and compliance capabilities. We work continually to improve our ability to identify information in advertisements and ensure all advertisements on our platform are reviewed prior to exposure. Contents with higher exposure would experience a second round of review. At the same time, we develop a filtering system for sensitive words to screen and investigate illegal words in advertisements released and carry out strict control over advertising and marketing materials through multiple review methods such as machine identification and manual review, to ensure that the published content conforms to relevant laws and regulations and that risks of violations of the law are properly controlled. For special industries such as medical treatment, medicine, and dietary supplements, we set up relevant special advertisement reviewing rules and conduct focused review on these advertisements to protect the rights and interests of consumers.

Compliance of UGC

We strictly comply with the *Measures for the Administration of Internet Information Services* and the *Provisions on Ecological Governance of Network Information Content*, and in 2022 actively carried out the identification and compliance of recently-published regulations including the *Provisions on the Administration of Internet Comments Posting Services*, the *Provisions on the Administration of Internet Users' Account Information*, the *Provisions on the Administration of Internet Pop-Up Information Push Services*, and the *Regulatory Protocols for Webcast Anchors*, continuously upgrading the compliance and quality management of UGC (User Generated Content).

We have established Content Security Committee to strengthen the Company's content security management, formulate and implement content security work policies, promote the establishment of a content security system, guarantee UGC compliance, and enhance UGC quality. We set up communication channels with regulatory authorities to respond quickly and continue managing UGC in line with regulatory requirements. In terms of UGC review, our multiple-layer review mechanism helps to improve UGC quality via automatic and manual inspection. In manual inspection, we assign different levels of reviewers by content and assign designated personnel to review high-risk contents. In automatic inspection, we constantly enhance automatic identification system by improving text recognition capability and optimising image recognition models. We add semantic analysis models such as inappropriate language and advertisement, improving the screening accuracy of content of violation. In case of any illegal content, we would implement a hierarchical management policy with measures such as blocking, deleting, and others.

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We have also established a specific emergency response system and a prevention and control mechanism for sensitive information, including (i) establishing an emergency response mechanism for content management, covering regulatory directives and special projects, and providing recall capabilities for UGC contingency on the platform; (ii) establishing a response system for public opinion-related issues to review procedures of external public opinion emergency response mechanisms, and to cover the staged handling process of public opinion in terms of early warning, identification, response, resolve process; (iii) setting up a prevention and control mechanism for sensitive occasions, and focusing on prevention and control of the content security of sensitive occasions such as festivals; (iv) establishing a sensitive-word database, and continually tracking and updating new sensitive words.

We are committed to strengthening employees' ability to manage UGC and develop a merchant content compliance culture. We train and assess the UGC security awareness of our employees by publishing the Content Security Work Manual, articles on the internal official account, and conducting online and offline content security courses for employees, etc. We require all UGC reviewers to pass the special trains and exams of the UGC security special project before the work starts. We help merchants to regularise their external content by sending content compliance management copywriting to merchants at key points.

Compliance of POI

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

We work continually to improve the review system to enhance the quality control of POI content, including (i) adopting the combination of manual review and intelligent identification system to conduct quality check sampling and review of POI content, iterating the automatic identification system, continuing to expand the range of application of POI anti-cheating model identification, improving the intelligent quality inspection and error correction ability, screening and filtering inappropriate and illegal POI; (ii) collecting the complained and reported content of the POI, sorting out the commonness of the problem, and carrying out unified revision, reviewing and rectification of the POI data; (iii) establishing communication channels with regulators and continuously improving POI management according to regulatory requirements; (iv) providing training on the prevention and control of fake POI, organising relevant employees to take part in the examination and assess their POI management ability.

In 2022, we opened more POI feedback portals, optimised the service hotlines for merchants and users to improve their willingness to provide feedback, and iterated the information feedback form to more extensively collect the feedback of users and merchants. We combined the information from feedback of users and merchants to conduct POI data correction and product iteration, improving the user experience.

ANTI-CORRUPTION

Anti-Fraud

We strictly adhere to the *Anti-Unfair Competition Law of the People's Republic of China* and other relevant laws and regulations. We continue strengthening anti-fraud management, improving internal systems, and cultivating a culture of integrity to ensure the healthy development of the enterprise. Internally, we strive to create a decent and fair workplace environment, enhance the integrity awareness of all employees. Externally, we create an open, transparent, and efficient cooperation environment to attract high-quality partners.

Anti-Fraud Policy and System Construction

We established the Integrity Committee, which takes the responsibility of defending the bottom line requirement of integrity and honesty. With "honest Meituan, honest ecosystem, and honest industry" as its key objectives, the Committee leads the Company in corruption investigation and handling, integrity culture development, and anti-corruption actions with fraud-prevention mechanism establishment by means of anti-fraud prevention, integrity publicity, and fraud investigation. We implemented a "triad mechanism" of prevention, investigation, and publicity to eradicate fraud. Adhering to our Specification for Integrity Committee and Framework of Integrity & Operational Mechanism of Integrity Committee, the Committee independently reports to the senior management team. The Committee's main responsibilities include (i) formulating and revising our professional conduct system; (ii) building and continually deepening our integrity culture; (iii) developing and implementing strategies to identify and prevent integrity risks; (iv) leading the investigation and handling of disciplinary breaches, and making qualitative decisions on major, difficult and complex cases; (v) accepting and adjudicating appeals from employees regarding disciplinary treatment; and (vi) formulating Reporting Platform, Investigation and Handling Platform, Adjudication Platform, Grievance Platform, Enforcement Platform, and Document and File Management Platform, and integrating above mentioned functions into the Case Investigation Platform.

In 2022, we revised the Integrity Workplace Code of Conduct which stipulates the professional behaviour of employees and integrated it with the Prohibition of Private Agreements and the Prohibition of Confidential Information Disclosure, to further clarify the Company's behavioural requirements, reflect the core value of integrity, and improve efficiency of operation and management. We formulated the Integrity Management Responsibility Policy to clarify that managers are taking management responsibility of employee's fraud-related incidents. We assess potential corruption risks involved in internal and external communication of employees, monitoring fraud with full coverage and zero tolerance, and dealing with violations with serious actions in accordance with rules and regulations we formulated.

In 2022, the Committee investigated and responded to more than 30 major cases involving internal employees and transferred more than 40 people involved in illegal activities to the judicial process. Employees who violated disciplines were handled in accordance with the provisions of the Integrity Workplace Code of Conduct.

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

Fostering a Corporate Culture of Integrity

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

We coordinate all departments to promote the co-development of an integrity culture and continually consolidate it. Integrity training and publicity are conducted for employees at different levels including the board of directors and senior management, and exams are designed to ensure understanding of our Integrity Workplace Code of Conduct. In 2022, we organised 1,106 sessions of integrity training or publicity activities with approximately 1,000 professional lecturers, and there were 184,343 times of participation in training sessions, including the Board members attending one specialised training session and management attending 95 anti-corruption sessions.

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

Our culture of integrity is further demonstrated by a series of publicity activities such as organising various forms of publicity activities to raise employees' awareness of gifts declaration this year. A total of more than 7,095 employees participated in the activities and self-declared on receiving gifts.

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

Whistle-Blowing and Inspection Mechanism

We established the Integrity Platform to encourage employees to proactively declare receiving of gifts and conflicts of interest. We also accept employees' reports of violations of laws and commercial ethics through a whistle-blowing mechanism. We have established an internal case management system that integrates the processes of complaint acceptance, investigation inquiries, qualitative adjudication, appeals and disciplinary enforcement into a close-loop management system. This system ensures a standardised operation for handling reporting clues with "full coverage, no omissions, high efficiency, and mandatory feedback". We have protection systems for whistle-blowers' information to safeguard their legitimate rights and interests. Our Department of Integrity and Supervision accepts fraud reports and forms investigative teams. We have established a grievance and clarification mechanism to ensure the fairness and accuracy of the investigation. Employees found related to fraud are dismissed based on laws and regulations. Cases that violate national laws are transferred to judicial authorities.

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

In 2022, we received the investigation and litigation outcomes of 2 corruption cases. All 3 employees involved in the cases were transferred to the public security authorities. The above persons were convicted of non-state functionaries for accepting bribes and sentenced to prison for 3 years. We have terminated labour relations with the above-mentioned employees by the Integrity Workplace Code of Conduct and established a case review mechanism to avoid the recurrence of similar cases. The cases have not had a significant impact on our business.

Anti-Money Laundering and Countering Terrorism Financing

We abide by laws and regulations such as the *Anti-Money Laundering Law of the People's Republic of China*, the *Measures for the Supervision and Administration of Combating Money Laundering and Financing of Terrorism by Financial Institutions*, the *Measures for Administration of Anti-Money Laundering and Anti-Terrorism by Payment Institutions*, and the *Guidelines for the Self-Assessment of Risks of Money Laundering and Finance of Terrorism of Incorporated Financial Institutions.*

In accordance with the regulatory documents and requirements such as the *Guidelines for the Self-Assessment of Risks of Money Laundering and Finance of Terrorism of Incorporated Financial Institutions*, we updated our anti-money laundering internal control system. To enhance our anti-money laundering efforts, we revised documents including the Administrative Measures for Self-Assessment of Risks of Money Laundering. We fulfil the reporting obligations of large-sum and suspicious transactions in accordance with the requirements of China's anti-money laundering authorities.

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

We identify and manage money laundering risks by conducting risk assessments on businesses and products. For business or products assessed as high-risk, we provide compliant solutions after the review and continuously follow up on product optimisation and risk management during the course of the business. In 2022, we completed an organisation-wide money laundering risk self-assessment, and in response to the identified risk issues, we carried out efforts to enhance our risk management capabilities.

In terms of customer due diligence, money laundering and terrorism financing and other risk monitoring and screening, following "Know Your Customer" and "Risk Priority" principles, we refine the due diligence work and increase the accuracy of monitoring, to strengthen our ability to manage money-laundering risks. In the early stage of due diligence, we verify qualifications and licences submitted by customer and verify customer identities via third party's verification channel. In the ongoing stage of due diligence, we carry out suspicious transaction monitoring, list monitoring, and customer qualification identification and other measures. In the enhanced stage of due diligence, we conduct due diligence on high-risk customers on time, and carry out merchant inspection and follow-up control measures.

We pay great attention to improve employees' and partner merchants' understanding and caution on money laundering and we are working to build an anti-money laundering culture both internally and externally. Internally, we carry out anti-money laundering compliance online training, requiring all financial practitioners to take anti-money laundering related courses before joining the Company to enhance their compliance awareness and professional knowledge. We report to our management teams monthly on our anti-money laundering work, explaining the latest anti-money laundering laws and regulations and reporting on the progress of important projects. Externally, we conduct training on topics such as anti-money laundering knowledge and fund security to our partner merchants through our WeChat account in the formats of articles. We carry out publicity at our branches, in business districts, and among communities, involving a wide range of participants and achieving favourable results.

We keep good communication and interaction with authorities, regulators, and related associations responsible for anti-money laundering. In 2022, we actively participated in the anti-money laundering initiatives months by the People's Bank of China and visited the National Anti-Fraud Centre to exchange on anti-money laundering and other risk events. We carry out a tripartite cooperation project between police, enterprises, and government in several branches to assist regulators in combating illegal and criminal activities. We strengthen cooperation with peer institutions. We actively participated in the "Internet Small Loan Self-Assessment Experience Exchange Meeting" of the Chongqing Operation Office of the People's Bank of China and convened with 19 institutions on self-assessment of money laundering risks.

COMMUNITY INVESTMENT

While advancing our own development, we actively communicate with communities to understand their development needs, and organise public welfare charity and community investment activities with the concept of "Internet +". Also, we cultivate life service practitioners through various approaches.

Public Welfare Platform and Projects

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

Public Welfare Initiatives

On the public side, we jointly carry out Meituan "Playgrounds for Rural Children" charity project with other charity organisations, aiming to build multifunctional playgrounds for children in less-developed areas to help them exercise and grow up healthily. Warm-hearted users and merchants could donate through Meituan "Playgrounds for Rural Children" charity project. In addition, merchants could check their donation progress on the system backend and accurately track the location of playgrounds they participated in donating. With the support of 239,000 charitable merchants and 68,000 warm-hearted users, the project has supported in constructing 453 playgrounds in over 15 provinces and autonomous regions by the end of 2022, and 73,000 village children have been directly benefited.

On the Company side, our employees participate in public welfare initiatives through various forms such as "Employee Monthly Donation", "Charity Bazaars", and "Charity Salons" to deepen their understanding of and contribution to social values.

- Employee Monthly Donation: We encourage our employees to donate RMB1 per day to support the children of couriers in the industry. By the end of 2022, more than 30,000 employees joined the programme and donated RMB15.247 million to the "Baby Kangaroo Charity Project" helping 359 couriers' children who suffer from serious diseases industry wide.

- Charity Bazaars: Gifts declared through our "Integrity Workplace Declaration" project are sold at charity sales and all proceeds are donated to public welfare projects. In 2022, the donation from the Charity Bazaars was used to build 2 rural playgrounds for children, helping 6 couriers' children who suffer from serious diseases industry wide.

- Public Welfare Initiatives: Employees support environmental protection by donating garments, recycling water bottles, etc. Employees are also entitled to provide public welfare by reading books, participating in charity auctions, donating blood, and joining themed charity events. In 2022, there were more than 2,000 times of participation in various public welfare initiatives.

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Disaster Relief and Pandemic Prevention

In 2022, we actively responded to the events of public health emergencies and natural disasters and fulfilled our corporate social responsibility, helping to safeguard people's basic livelihood, stabilise employment and promote economic recovery.

- The pandemic prevention and control: We have set up a special fund upon the outbreak of the pandemic since 2020. During regular pandemic prevention and control, the Meituan Public Welfare Foundation carried out the "Negative Pressure Ambulance Donation" project. We have successfully adopted pandemic prevention practices nationwide by donating negative pressure ambulances necessary for isolated transportation, avoiding cross-infection between medical staff and patients, and ensuring the health and safety of medical staff and local people. By the end of 2022, we have donated 120 negative pressure ambulances to 12 provinces, municipalities, and regions to support pandemic prevention.

- Earthquake relief: On September 5, 2022, a 6.8-magnitude earthquake occurred in Luding County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province. To ensure the supply of materials to residents in the affected area, we quickly assessed the local damage after the earthquake, set up a volunteer service team and encouraged logistics drivers to turn into local volunteers to support the transfer of supplies to the front line of the earthquake. In the process of material relief, we relied on the strict timeliness requirements in daily business performance, our mature and efficient logistics links, as well as our regional operation experience to ensure the distribution efficiency of disaster relief materials and the supply of materials to affected residents during disasters. Through close collaboration between departments, we have completed relief works by sending a total of 198 boxes of emergency material in the disaster areas. By the end of 2022, we have donated a total of over 1.67 million items in disaster relief.

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

- Guaranteeing material supply: We fully unitise the resources and capabilities of each business line, and actively participate in pandemic-prevention and supply guarantee by increasing inventory, transportation capacity and staff input, cooperating with the government to carry out collection and delivery services, carrying out emergency services, and reallocating automatic delivery vehicles to demanding areas. We formulate an emergency plan and make a positive influence through community e-commerce business to ensure people's basic living needs. Relying on our logistics system, we ensure a constant supply of daily necessities and pandemic-prevention materials. We continue strengthening products stock, enriching the variety of specific products according to the needs of the government and consumers, and optimising products scheduling. When local disasters occur and the supply capacity is limited, we allocated materials from other regions to maintain a stable product supply.

- Assisting emergency medical treatment: We assemble a team of professional pharmacists to provide 24-hour online medical consultation services for people from the affected areas during public health incidents. We also coordinate professional service providers including maternity hospitals and confinement centres to offer necessary assistance to special groups such as pregnant women and new-born babies when emergencies occur.

- Supporting post-disaster reconstruction: We carry out a number of measures to support businesses affected by disasters to resume work and production and participate in living guarantee work after disasters. For example, we provide renovation funds, door-to-door repair service, and free smart hardware for merchants with seriously damaged storefronts in the affected areas. We also provide disinfection tools to disaster-stricken catering merchants and set up a series of relevant training courses, while ensuring a clean environmental condition after resuming work. We help people contact their relatives and rescuers in a timely manner through providing free portable chargers in the affected areas.

Barrier-Free Optimisation

As a life service platform, we not only provide necessary assistance for people with disabilities in daily life but also offer an important channel for them to start businesses or find jobs.

To better serve people with disabilities, we bring convenient services to them and other disadvantaged groups by building a management system, improving employee awareness, optimising product functions, and helping them operate stores, so that they can enjoy the convenience of digital life. We set up a dedicated team on accessibility experience management, and our management and accessibility optimisation measures include (i) providing special trainings on international standard interpretation, self-testing and acceptance check methods in barrier-free renovation; (ii) exploring the development and application of barrier-free automatic testing tools and popularising the concept of barrier-free development in the Company, thereby improving the R&D staff's awareness and ability in special group service; (iii) actively collecting the needs of the visually impaired, conducting research on their demands and using experience; clarifying the needs and expectations of the visually impaired for improvement of product functions to provide research support for their experience optimisation; (iv) applying digital technologies to products, helping visually impaired people to obtain information conveniently and operate products accurately and smoothly by means of converting text and pictures to voice, reducing man-machine verification and identity verification, blocking advertising and marketing content and so on, to improve their user experience; and (v) jointly launching the "See Digital" care action for blind merchants with China Association of Persons with Visual Disabilities, and operating the "Version for Blind Merchants", which provides blind merchants with a low-threshold, zero-cost marketing channel and standardised Internet business trainings to help blind merchants attract online traffic, reduce operating costs, and improve shop services.

Elderly-Friendly Upgrade

Actively responding to policy requirements such as the *Implementation Plan for Effectively Resolving the Difficulties Facing the Elderly in the Use of Intelligent Technologies*, we work continually to improve elders' experiences using digital services and enhance their satisfaction of our products in the process of use. We make our products and services to be more user-friendly for elders, and help elders solve difficulties of using smart technologies in two ways: online operation optimisation and offline elder assistance service, to better serve the elder community. In terms of online operation optimisation, we provide the "Elderly User Version" App interface to improve the information perception of elders and the operational convenience of our products by optimising the page layout and simplifying the operation process. We continue carrying out the "Elderly-Friendly Ticket Project" to help the elderly to use our services conveniently, through shortening the ticket booking process and highlighting key information such as prices. In 2022, we upgraded and realised the elderly-friendly optimisation features such as elder smart recognition, the automatic switch between operation and recommendation pages, and the voice feedback function. In terms of offline services for elders, we join hands with many tourist attractions to set up elderly friendly service points, providing dedicated channels at the entrances of scenic spots and collaborating with social service workers to provide help and information guidance for the elderly to enhance their travel experience.

Rural Revitalisation

In 2022, to meet the new deployment and requirements of the Rural Revitalisation Strategy, we took full advantage of digital technology and talents, and closely integrated the revitalisation of rural industries and talents with the Company's business to drive merchants and users to participate in the construction of rural education infrastructure, improve the living standards of rural residents, and actively fulfil corporate social responsibility.

Industry Upgrade

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

We organise rural revitalisation activities combining the festive themes during public festivals. During the International Workers' Day of 2022, we assisted the Ministry of Commerce of the People's Republic of China to launch the "Online Shopping Festival Based on Brand and Quality" and set up a "Digital Business for Agriculture • Gold Origin" section in the main venue of the event. With the theme of "Good Food Comes from Gold Origin", the activity realised "Next-Day Delivery" of the products from the fields to the surroundings through the instant logistics and cold chain system, and helped origin-featured products and landmark agricultural products go to the whole country. During the activity, about 400 types of food and oil products and over 2,000 types of fresh product was put up for sale in the "Gold Origin" zone, providing customers with high-quality products while helping rural development.

At the same time, we focus on selling local speciality quality agricultural products in cities such as Beijing, Shanghai and Guangzhou, and carry out a series of "Local Goodies" activities in conjunction with the seasonal availability of agricultural products to expand brand recognition of local high-quality agricultural products in the cities. Through our digital capabilities in instant retail, we shorten the supply chain of agricultural products, promote local employment and the development of local agricultural brands, and help farmers to increase their income.

In addition, we actively carry out charity activities to help farmers. In May 2022, we helped to expand the sales channels for vegetables that became unsalable because of the pandemic in Yanqing District, Beijing, by opening an online green channel and assigning specialists to connect in the countryside. Over 500 tonnes of lettuce and other seasonal vegetables were purchased within a week, and a long-term purchasing cooperation was formed to effectively solve farmers' practical difficulties.

Talent Development

We actively respond to the requirements of policies and guidelines such as *Opinions on Accelerating the Revitalisation of Rural Talents*. We epitomise the role of our enterprises in the cultivation of rural talents and promoting employment. We always pay attention to the cultivation of rural vitalisation talents and continue carrying out the "Training Program of E-Commerce Leaders for Rural Revitalisation" to coach and share e-commerce operation knowledge and cases for rural talents such as the first secretary in the village and the entrepreneurs in agri-business, and jointly implement the local rural revitalisation strategy. We hire lecturers with rich entrepreneurial and teaching experience to deliver lectures on the topic on "E-Commerce Mode Operation", "Supply Chain Operation", "Live Streaming E-Commerce", "Agricultural Cooperative Innovation and Development", etc., to provide introductory and advanced special courses for groups at different learning stages.

In 2022, building on the existing curriculum and training model, we put more attention on local needs in villages and closely integrate with our retail business to target the training of new farmers or new agricultural-commercial merchants, who are able to collaborate with e-commerce companies. By the end of 2022, we have trained over 1,200 trainees through online and offline training activities. 17 high-quality video courses recorded by our instructors of "Training Program of E-Commerce Leaders for Rural Revitalisation" were launched on online platforms such as "Xuexi Qiangguo", "http://www.chinadata.cn" and "daxue.meituan.com", and over 100,000 people studied online for free.

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

Supporting the Life Service Industry Practitioners

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

We support flexible employment forms represented by couriers. We provide digital competency trainings on topics such as product development, data analysis, business understanding, user operation and platform operation for life service practitioners. Together with the Education and Training Centre of Ministry of Human Resources and Social Security of the People's Republic of China, we carry out a series of training programs, such as "On-Demand Retail Digital Operation Talent Training" and "Store Manager Class", aiming to improve the professional development of life service practitioners. In 2022, we helped over 4,600 practitioners in the catering industry to learn systematically about food delivery operations and enhance their digital operation capabilities. Also, practitioners would receive their training certificate of "Food Delivery Operation Managers" issued by the Education and Training Centre of Ministry of Human Resources and Social Security of the People's Republic of China after the training. Meanwhile, Meituan Instashopping and the China Chain Store & Franchise Association (CCFA) jointly released the training course of Instant Retail Digital Operation Practical Public Welfare Course for practitioners of instant retail operation positions in supermarkets and convenience stores. The course attracted over 80,000 participants in 2022. In addition, we continue improving courier training system, providing diversified training courses for couriers. Please refer to the chapter of "Supply Chain Management-Management and Protection of Couriers" in this report for more information on the training programmes we have conducted for couriers this year.

In the hotel industry, we have been honoured as the fourth batch of vocational education and training evaluation organisations and been registered in the vocational skill level certificate list by the Ministry of Education of the People's Republic of China. We can issue relevant professional skills certificates to vocational college students and practitioners in the industry. By the end of 2022, we have nearly 20 cooperating universities with "1+X certificate (academic certificate + multiple professional certificates)" pilots, and the number of students applying for hotel revenue management majors in 2022 reached almost 400.

By the end of 2022, we have had over 2,000 lecturers in the life service industry. We have developed 9,800 courses in practical operations, business operations, management, and industry dynamics, with approximately 54.39 million trainees. Moreover, nearly 6,000 practitioners in new professions have received their professional certifications.

Supporting the Development of the Real Economy

We actively respond to policies, such as the *Notice on a Package of Policies and Measures to Stabilize the Economy*, the *Several Policies for Promoting the Recovery and Development of Hard-Hit Industries in the Service Sector*, and the *Notice on Implementing Policies to Support the Recovery and Development of the Catering Industry.* Through building cold chain logistics, urban distribution warehouses, digital systems, and other facilities national wide, we help the real economy achieve digital and high-quality development.

Taking advantage of our R&D capacity and service experiences in technology-driven digitalisation for traditional sectors, we have helped millions of merchants complete digitalisation upgrades and increase their business volume and supported small and medium-sized merchants solve difficulties and achieve their own success, through launching digital solutions and providing digital services as well as online marketing tools.

In April 2022, we officially launched our merchant-oriented "Prosperity Plan", through communicating, co-building, co-governing, and sharing with merchants to build a digital ecosystem of the catering industry and promote its recovery and high-quality development. Our special measures around the "Prosperity Plan" include (i) collectively solving common problems reported by merchants through Merchant Feedback Session and other forms, thereby improving communication efficiency with merchants; (ii) continually empowering merchants in digitalisation to help them recover from operation difficulties; (iii) continually strengthening internal management; establishing a merchant evaluation system, operating subsidy rules and other regulations, thereby building a good business order and creating a good platform environment that enhances merchants' operation experience and capabilities; and (iv) establishing co-governance and co-building forms include "public juries", rules review panels, product experience panels etc., in order to support merchants, users, and couriers to participate in the formulation of platform rules, and to join hands with multiple parties to build the catering ecosystem.

In 2022, we launched several initiative measures addressing the conundrums of small and medium-sized catering merchants, who faced difficulties in operation due to the pandemic. We launched various types of support programmes for these merchants, including (i) helping them to alleviate operation pressure since March; (ii) providing free Food Delivery Butler Service, in which professional food delivery operation assistants offer in-store service and provide merchants with optimisation advice on online shop design, business situation analysis, delivery food development and promotional activity planning, and guide them in online shop operation; (iii) providing online operation services through smart devices, to help them master and improve their online business skills and to enhance their service level and profitability.

We actively assist the digital transformation of time-honoured enterprises as well as broaden their marketing channels. Since 2019, we have implemented the special project of "China Time-Honoured Brands", which includes helping them expand online sales by highlighting exclusive labels online and protecting intellectual property rights for time-honoured catering enterprises. In 2022, we collaborated with the China General Chamber of Commerce (CGCC) to launch the "Special Action to Help Time-Honoured Enterprises Digitalise", which aims to promote time-honoured enterprises' high-quality development, and launched digital service packages to them in terms of online operation, instant retail, brand protection, catering operation management system, etc. In 2022, we provided digital service packages to eight time-honoured enterprises. We have set up a themed activity named "Time-Honoured Brand Carnival" in the Meituan App, carrying out a variety of promotional activities in cooperation with enterprises during traditional festivals, such as Spring Festival and Qingming Festival. We fully explore the promotional potential of time-honoured brands during these festivals and help them expand online sales channels. In addition, we cooperate with local ministry of commercial and industry associations to hold offline time-honoured brand forums and promotional activities. We publicise the city characteristics and culture of the time-honoured brands and promote high-quality products and services provided by the time-honoured brands, through several measures, such as making promotions through live stream and organising shop try-out activities.

Leveraging the scale advantage of our platform of merchants and users, we supported the government in the "E-Coupons for Merchants and Consumer" project, which aims to stimulate users' spending willingness by issuing e-coupons, thereby increasing the transaction scale of physical retailers and contributing to city economies. In 2022, we assisted the government in issuing e-coupons in more than 80 provinces and municipalities including Beijing, Shenzhen, and Tianjin, with an amount of more than RMB788 million.

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

We have undertaken a limited assurance engagement in respect of the selected Environmental, Social and Governance ("ESG") data of Meituan (the "Company") listed below in the Company's ESG report for the year ended 31 December 2022 ("the 2022 ESG report") (the "Selected ESG Data").

SELECTED ESG DATA

The Selected ESG Data for the year ended 31 December 2022 is summarised below:

<table>
<tr><th>Environmental Performance Indicators</th><th>Workplace Performance Indicators</th></tr>
<tr><td>
Emissions

– HQ offices

• Total GHG emissions (tonnes)
• Total GHG emissions per employee in office (tonnes per employee)
• Total GHG emissions per square metre floor area of the office (tonnes per square metre)
• Total hazardous waste (tonnes)
• Hazardous waste per employee (tonnes per employee)
• Total non-hazardous waste (tonnes)
• Non-hazardous waste per employee (tonnes per employee)

– Regional sales offices

• Total GHG emissions (tonnes)
• Total GHG emissions per employee in office (tonnes per employee)
• Total GHG emissions per square metre floor area of the office (tonnes per square metre)
• Total hazardous waste (tonnes)
• Hazardous waste per employee (tonnes per employee)
• Total non-hazardous waste (tonnes)
• Non-hazardous waste per employee (tonnes per employee)

– Warehouses and service stations

• Total GHG emissions (tonnes)
</td><td>
Employment

• Total number of employees
• Number of employees by gender
  – Male
  – Female
• Number of employees by age group
  – Age 30 and under
  – Age 31 to 50
  – Above age 50
• Number of employees by geographical region
  – The Mainland of China
  – Hong Kong, Macao and Taiwan
  – Other countries and regions
• Number of employees by management level
  – Management
  – Non-management
• Number of employees by employment type
  – Full-time
  – Contractors and other types
• Total turnover rate
• Employee turnover rate by gender
  – Male
  – Female
• Employee turnover rate by age group
  – Age 30 and under
  – Age 31 to 50
  – Above age 50
• Employee turnover rate by geographical region
  – The Mainland of China
  – Hong Kong, Macao and Taiwan
  – Other countries and regions
</td></tr>
</table>

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

<table>
<tr>
<td>Energy and Resources Consumption

– HQ offices

• Total energy consumption (MWh)
• Total energy consumption per employee (MWh per employee)
• Total energy consumption per square metre floor area (MWh per square metre)
• Running water consumption (tonnes)
• Running water consumption per employee (tonnes per employee)

– Regional sales offices

• Total energy consumption (MWh)
• Total energy consumption per employee (MWh per employee)
• Total energy consumption per square metre floor area (MWh per square metre)
• Running water consumption (tonnes)
• Running water consumption per employee (tonnes per employee)

– Warehouses and service stations

• Total energy consumption (MWh)
• Running water consumption (tonnes)</td>
<td>Health and Safety

• Number of work-related fatalities
• Rate of work-related fatality
• Number of working days lost due to work injuries

Employee Training

• Percentage of employees trained by gender
– Male
– Female
• Percentage of employees trained by management level
– Management
– Non-management
• Average training hours of employees by gender
– Male
– Female
• Average training hours of employees by management level
– Management
– Non-management</td>
</tr>
<tr>
<td rowspan="2">Number of Suppliers

• Number of suppliers by geographical region
– The Mainland of China
– Hong Kong, Macao and Taiwan
– Other countries and regions</td>
<td>Platform Responsibility

• Total number of customer complaints received</td>
</tr>
<tr>
<td>Anti-Fraud

• Number of corruption cases the Company received litigation outcomes</td>
</tr>
</table>

Our assurance was with respect to the year ended 31 December 2022 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2022 ESG report and, therefore, do not express any conclusion thereon.

CRITERIA

The criteria used by the Company to prepare the Selected ESG Data is set out in the section headed "Report Overview" in the 2022 ESG report (the "Criteria").

THE COMPANY'S RESPONSIBILITY FOR THE SELECTED ESG DATA

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

INHERENT LIMITATIONS

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

OUR INDEPENDENCE AND QUALITY MANAGEMENT

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

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

OUR RESPONSIBILITY

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

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

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

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Selected ESG Data for the year ended 31 December 2022 is not prepared, in all material respects, in accordance with the Criteria.

Our report has been prepared for and only for the board of directors of the Company and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 April, 2023

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of Meituan (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 192 to 312, comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Revenue recognition
- Impairment assessments of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition	
Refer to Notes 2.27, 4.5, 4.6 and 6 to the consolidated financial statements. The Group provides an e-commerce platform that offers diversified daily goods and services in the broader retail by leveraging technology, including on-demand delivery, in-store, hotel and travel booking and other services and sales. The Group mainly generates revenue in the way of delivery services, commission, online marketing services and other services and sales. Revenue of RMB220.0 billion was recognised for the current year. We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognition due to the magnitude of revenue amount and the huge volume of revenue transactions recorded in the operating systems and then interfaced with the financial system.	Our procedures in relation to the revenue recognition included: We understood and tested management's process and controls in respect of revenue recognition and calculation derived from different services. We discussed with management and evaluated their judgements made in determining the method and timing of revenue recognition and calculation. We tested the general control environment and automated controls of the information technology systems used in the transaction processes. We tested the interface between the operating and financial systems. We tested, on a sample basis, transactions by checking the cash receipt, reviewing the underlying contracts, identifying the key terms and attributes from the contracts and checking them against the underlying data from the system used in the transaction processes, and then recalculating the revenue amount. Based on the procedures performed, we found that the Group's revenue recognition was supported by the evidence obtained.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessments of goodwill	
Refer to Notes 2.9, 4.4 and 16 to the consolidated financial statements. As at December 31, 2022, the net carrying amount of goodwill amounted to RMB27.8 billion. Under International Accounting Standards ("**IAS**") 36 Impairment of Assets, the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit ("**CGU**") to which goodwill has been allocated may be impaired. The Group engaged an independent external valuer to assist the preparation of the goodwill impairment testing. The recoverable amounts of CGUs were determined based on the value-in-use calculations using cash flow projections. The key assumptions used include annual revenue growth rate for the 5-year period, gross profit, terminal revenue growth rate and pre-tax discount rate. We focused on this area due to (a) the magnitude of the carrying amount of goodwill; and (b) the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the complexity of the models, subjectivity of significant assumptions used, and significant judgements involved in selecting data.	Our procedures in relation to the impairment assessments of goodwill included: We obtained an understanding of the management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. We evaluated the outcome of prior period assessment of the goodwill to assess the effectiveness of the management's estimation process. We evaluated and tested the key controls over the impairment of goodwill. We tested management's assessment including periodic impairment indications evaluation as to whether indicators of impairment exist by corroborating with management and market information. We evaluated the independent valuer's objectivity, competence and capabilities. We assessed the reasonableness of the basis that management used to identify separate group of CGUs for the allocation of goodwill. We assessed the appropriateness of the valuation models and significant assumptions with the involvement of our internal valuation experts. We assessed the key assumptions adopted including annual revenue growth rate for the 5-year period and gross profit rate by examining the approved financial/business forecast models, and comparing actual results for the year against the previous period taking into consideration of market trends and our industry knowledge. We assessed terminal revenue growth rate and pre-tax discount rate with the involvement of our internal valuation experts.

INDEPENDENT AUDITOR'S REPORT

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

OTHER INFORMATION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 24, 2023

CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Revenues	5,6	**219,954,948**	179,127,997
Including: Interest revenue		**1,133,670**	1,000,004
Cost of revenues	7	**(158,201,969)**	(136,653,869)
Gross profit		**61,752,979**	42,474,128
Selling and marketing expenses	7	**(39,745,112)**	(40,683,166)
Research and development expenses	7	**(20,739,865)**	(16,675,595)
General and administrative expenses	7	**(9,771,810)**	(8,612,626)
Net provisions for impairment losses on financial and contract assets		**(468,620)**	(259,953)
Fair value changes of other financial investments at fair value through profit or loss	19	**(1,013,057)**	815,747
Other gains/(losses), net	9	**4,165,037**	(185,734)
Operating loss	5	**(5,820,448)**	(23,127,199)
Finance income	10	**657,908**	546,037
Finance costs	10	**(1,628,825)**	(1,130,935)
Share of profits of investments accounted for using the equity method	12	**35,848**	145,620
Loss before income tax		**(6,755,517)**	(23,566,477)
Income tax credits	13	**70,194**	30,279
Loss for the year		**(6,685,323)**	(23,536,198)
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(6,686,110)**	(23,538,379)
Non-controlling interests		**787**	2,181
		(6,685,323)	(23,536,198)
Loss per share for loss for the year attributable to the equity holders of the Company	14		
Basic loss per share (RMB)		**(1.09)**	(3.90)
Diluted loss per share (RMB)		**(1.09)**	(3.90)

The notes on pages 200 to 312 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Loss for the year		**(6,685,323)**	(23,536,198)
Other comprehensive income/(loss), net of tax:			
Items that may be reclassified to profit or loss			
Share of other comprehensive (loss)/income of investments accounted for using the equity method	12,27	**(4,516)**	1,836
Fair value changes of debt instruments at fair value through other comprehensive income	27	**(288,211)**	4,795
Net provisions for impairment losses on debt instruments at fair value through other comprehensive income	27	**51,041**	163,604
Items that will not be reclassified to profit or loss			
Currency translation differences	27	**1,194,270**	(1,540,203)
Share of other comprehensive income/(loss) of investments accounted for using the equity method	12,27	**85,260**	(43,633)
Fair value changes of other financial investments at fair value through other comprehensive income	20,27	**(481,883)**	(86,821)
Other comprehensive income/(loss) for the year		**555,961**	(1,500,422)
Total comprehensive loss for the year		**(6,129,362)**	(25,036,620)
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(6,130,149)**	(25,038,801)
Non-controlling interests		**787**	2,181
		(6,129,362)	(25,036,620)

The notes on pages 200 to 312 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of December 31,	
		2022	2021
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**22,201,259**	22,814,246
Intangible assets	16	**30,642,975**	31,048,814
Deferred tax assets	18(a)	**1,497,106**	1,378,468
Long-term treasury investments	21	**8,114,058**	4,010,442
Other financial investments at fair value through profit or loss	19	**15,073,013**	14,299,857
Investments accounted for using the equity method	12	**16,582,381**	13,868,788
Other financial investments at fair value through other comprehensive income	20	**2,321,865**	2,022,705
Prepayments, deposits and other assets	22	**4,903,068**	3,381,272
		101,335,725	92,824,592
Current assets			
Inventories	23	**1,162,765**	681,693
Trade receivables	24	**2,052,731**	1,793,035
Prepayments, deposits and other assets	22	**13,292,494**	15,281,586
Short-term treasury investments	21	**91,873,270**	84,282,016
Restricted cash	25(b)	**14,605,601**	13,276,919
Cash and cash equivalents	25(a)	**20,158,606**	32,513,428
		143,145,467	147,828,677
Total assets		**244,481,192**	240,653,269
EQUITY			
Share capital	26	**415**	411
Share premium	26	**316,743,344**	311,221,237
Shares held for shares award scheme	26	**–**	–
Other reserves	27	**1,484,187**	(2,866,675)
Accumulated losses		**(189,466,336)**	(182,741,531)
Equity attributable to equity holders of the Company		**128,761,610**	125,613,442
Non-controlling interests		**(55,893)**	(56,680)
Total equity		**128,705,717**	125,556,762

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of December 31, 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18(b)	**846,103**	895,691
Financial liabilities at fair value through profit or loss		**100,000**	–
Borrowings	31	**1,548,967**	12,219,667
Notes payable	32	**33,607,372**	30,383,378
Lease liabilities		**3,203,163**	2,994,226
Other non-current liabilities		**39,773**	10,588
		39,345,378	46,503,550
Current liabilities			
Trade payables	29	**17,379,302**	15,165,619
Payables to merchants		**12,432,342**	10,950,920
Advances from transacting users		**5,081,178**	5,171,054
Other payables and accruals	30	**16,655,307**	18,400,738
Borrowings	31	**17,562,145**	11,565,200
Deferred revenues	28	**5,053,375**	5,478,480
Lease liabilities		**2,165,978**	1,756,559
Income tax liabilities		**100,470**	104,387
		76,430,097	68,592,957
Total liabilities		**115,775,475**	115,096,507
Total equity and liabilities		**244,481,192**	240,653,269

The notes on pages 200 to 312 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 192 to 312 were approved by the Board of Directors on March 24, 2023 and were signed on its behalf:

Wang Xing
Director

Mu Rongjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	36(a)	**11,658,706**	(3,756,727)
Income tax paid		**(247,258)**	(254,730)
Net cash flows generated from/(used in) operating activities		**11,411,448**	(4,011,457)
Cash flows from investing activities			
Purchases and prepayments of property, plant and equipment and intangible assets		**(5,731,304)**	(9,010,455)
Proceeds from disposals of property, plant and equipment and intangible assets		**407,603**	106,219
Payments for acquisitions of businesses, net of cash acquired		**(89,237)**	(13,786)
Purchases of treasury investments		**(187,401,376)**	(409,062,234)
Sales or maturities of treasury investments		**179,619,759**	364,318,074
Purchases of investments accounted for using the equity method		**(40,000)**	–
Proceeds from disposals of investments in associates and others		**1,630**	70,806
Purchases of other financial investments at fair value		**(3,240,760)**	(5,040,733)
Net cash inflow/(outflow) arising from disposals or deemed disposals of subsidiaries		**72,748**	(867,327)
Gains received from treasury investments and other financial instruments		**1,438,076**	996,319
Dividends received		**69,782**	24,325
Loans payments to investees and others		**(736,914)**	(1,205,221)
Loans repayments from investees and others		**874,424**	1,234,179
Collection of/(payment for) investments prepayments		**42,000**	(42,000)
Net cash flows used in investing activities		**(14,713,569)**	(58,491,834)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows from financing activities	36(c)		
Proceeds from borrowings		**25,844,975**	25,346,479
Repayments of borrowings		**(32,704,167)**	(9,578,283)
Net proceeds from issuance of notes payable		**–**	19,288,691
Finance costs paid		**(1,162,162)**	(620,127)
Proceeds from exercise of share options		**170,341**	275,371
Net proceeds from issuance of ordinary shares		**–**	45,286,099
Payments of lease liabilities		**(2,619,636)**	(2,191,299)
Increase in other financial liabilities		**480,448**	791,400
Net cash flows (used in)/generated from financing activities		**(9,990,201)**	78,598,331
Net (decrease)/increase in cash and cash equivalents		**(13,292,322)**	16,095,040
Cash and cash equivalents at the beginning of the year		**32,513,428**	17,093,559
Exchange gains/(losses) on cash and cash equivalents		**937,500**	(675,171)
Cash and cash equivalents at the end of the year	25(a)	**20,158,606**	32,513,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its domestic subsidiaries, including structured entities (collectively, the "**Group**"), offers diversified daily goods and services in the broader retail by leveraging technology.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation and changes in accounting policies and disclosures

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

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

2.1.1 New amendments adopted by the Group

The Group has applied the following new amendments for the first time commencing January 1, 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

2.1.2 New standards and amendments not yet adopted by the Group

The following new standards and amendments have been issued, but are not effective for the Group's financial year beginning on January 1, 2022 and have not been early adopted by the Group.

		Effective for financial year beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

The Group is in the process of assessing potential impact of the above new standards and amendments that is relevant to the Group upon initial application. According to the preliminary assessment made by the directors of the Company ("**Directors**"), management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above new standards and amendments except for the Amendments to IAS 12. The management of the Group plans to adopt these new standards and amendments when they become effective.

2.2 Subsidiaries

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Changes in ownership interests in subsidiaries without change of control

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

2.2.3 Changes in ownership interests in subsidiaries with change of control

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

2.3 Associates

Associates are entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of convertible redeemable preferred instruments or ordinary shares with preferential rights are financial assets designated at fair value through profit or loss (Note 2.13). All investments in the form of ordinary shares with significant influence are accounted for using the equity method of accounting.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates *(Continued)*

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

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

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

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

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

2.4 Joint arrangements

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

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements under the appropriate headings. Interests in joint ventures are accounted for using the equity method of accounting as mentioned in Note 2.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Separate financial statements

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

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

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, mainly refers to the executive Directors. Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of IFRS 8. The segments have similar economic characteristics, and the segments are similar in the nature of the products and services, the nature of the production processes, the type or class of customer for their products and services, the methods used to distribute their products or provide their services; and if applicable, the nature of the regulatory environment.

2.7 Foreign currency exchange and translation

2.7.1 Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Foreign currency exchange and translation *(Continued)*

2.7.2 Transactions and balances

Foreign currency transactions are exchanged into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the exchange of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are generally recognised in consolidated income statement on a net basis within “Other gains/(losses), net”.

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

2.7.3 Group companies

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment

All property, plant and equipment ("**PP&E**") are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

• Computer equipment	3 years
• Bikes and electric mopeds	2-3 years
• Others	2-5 years

Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets

2.9.1 Goodwill

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

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

2.9.2 Other intangible assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Intangible assets *(Continued)*

2.9.3 Research and development

Research expenditures are recognised as expenses as incurred. Costs incurred on development projects are capitalised as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalised as intangible assets for the years ended December 31, 2022 and 2021.

2.10 Shares held for shares award scheme

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

When the Share Scheme Trust transfers the Company's shares to the awardees upon vesting, the related nominal value of the awarded shares vested are credited to "Shares held for shares award scheme" and related equity-settled share-based payments were transferred from "Other reserves" to "Share premium".

2.11 Impairment of non-financial assets

Other than goodwill mentioned in Note 2.9.1, other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Land use rights

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

The land use rights mainly represented prepaid operating lease payments in respect of land in the Mainland of China with lease periods of 40 to 50 years.

2.13 Financial assets

2.13.1 Classification

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

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income ("FVOCI"); or
- financial assets measured at fair value through profit or loss ("FVPL").

The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Business model

The Group's business model reflects how the Group manages its financial assets in order to generate cash flows. The business model determines whether the cash flow will result from collecting contractual cash flows, selling of financial assets or both.

The contractual cash flow characteristics

The characteristics of the contractual cash flow of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the relevant financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.1 Classification (Continued)

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if both of the following conditions are met and is not designated as at FVPL: (i) the asset is managed within a business model whose objective is to hold assets in order to collect contractual cash flows; (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instruments designated as at FVOCI.

A debt instrument which is measured at FVOCI if both of the following conditions are met: (i) the asset is managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group may make an irrevocable election at initial recognition to designate an equity instrument as at FVOCI if it is not held for trading purpose.

Financial assets measured at fair value through profit or loss

Financial assets measured at FVPL include the debt instruments that do not meet the criteria for amortised cost or FVOCI, and the equity investments which are not designated as measured at FVOCI.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.2 Recognition

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

2.13.3 Derecognition

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

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

– the carrying amount of the financial asset transferred; and

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.4 Measurement

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

For assets measured at fair value, gains or losses will either be recorded in profit or loss or other comprehensive income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

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

- FVOCI: Movements in the carrying amount are taken through other comprehensive income, except for the provisions or reversals of impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income is reclassified to profit or loss and presented in “Other gains/(losses), net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains or losses are presented in “Other gains/(losses), net” and impairment losses are presented as a separate line item in the consolidated income statement.

- FVPL: Gains or losses on debt instruments that is subsequently measured at FVPL are recognised in profit or loss and presented within “Other gains/(losses), net” or “Fair value changes of other financial investments at fair value through profit or loss”.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.4 Measurement (Continued)

(b) Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value changes of equity instruments in other comprehensive income, there is no subsequent reclassification of such fair value changes to profit or loss following the derecognition of the financial assets. Dividends from such equity instruments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Fair value changes of other financial investments at fair value through profit or loss" as applicable. Provisions or reversals of impairment losses on equity investments at FVOCI are not reported separately from other changes in fair value.

2.13.5 Impairment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Offsetting financial instruments

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

2.15 Deposits from transacting users

Deposits from transacting users are the deposits received from transacting users of bike sharing services, which are placed in the custody of certain bank accounts and redeemable at any time upon the requests from transacting users.

2.16 Inventories

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

2.17 Trade and other receivables

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Cash and cash equivalents and restricted cash

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

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

2.19 Share capital

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

2.20 Trade and other payables

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

2.21 Borrowings, notes payable and borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

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

2.22 Financial liabilities at fair value through profit or loss

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

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

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

2.23 Current and deferred income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

2.23.1 Current income tax

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

2.23.2 Deferred income tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Current and deferred income tax *(Continued)*

2.23.2 Deferred income tax (Continued)

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

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

2.24 Employee benefits

2.24.1 Employee leave entitlement

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

2.24.2 Pension obligations and other social welfare benefits

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each period. The Group's contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separated from those of the Group. During the reporting period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

2.24.3 Bonus plan

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments

The Group has operated share incentive awards including share option schemes and share award schemes. The pre-IPO employee stock incentive scheme adopted by the Company dated October 6, 2015 ("**Pre-IPO ESOP**") was administered until the initial public offering, after which it was replaced by the post-IPO share option scheme ("**Post-IPO Share Option Scheme**") and the post-IPO share award scheme ("**Post-IPO Share Award Scheme**") adopted by the Company on August 30, 2018. The Group receives services from employees and other qualified participants as consideration for equity instruments (including share options and restricted share units, "**RSUs**") of the Group under the above schemes. The fair value of the services received in exchange for the grant of the equity instruments is recognised as an expense in the consolidated income statement. The total expenses are recognised over the vesting period, over which all of the specified vesting conditions are to be satisfied.

2.25.1 Share options

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

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

At the end of each period, the Group revises its estimates of the number of share options that are expected to become vested based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Share-based payments *(Continued)*

2.25.2 RSUs

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

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

2.25.3 Modifications and Cancellations

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

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

2.26 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating loss.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

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

(a) Delivery services

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

(b) Commission

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

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

(c) Online marketing services

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

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

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

(d) Other services and sales

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

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

Interest revenue is derived from the loan principal, funded entirely or partially by the Group, by applying the effective interest rate to the gross carrying amount of loan receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.2 Contract Balances

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

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

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

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

2.27.3 Incentives to transacting users

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

2.27.4 Practical Expedients and Exemptions

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all the Group's contracts with customers have a duration of 1 year or less.

2.28 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets. Financial assets have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost.

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

2.29 Dividend income

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

2.30 Leases other than land use rights

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have third-party financing; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.31 Dividends distribution

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

2.32 Government subsidies

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

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

3.1.1 Market risk

(a) Foreign exchange risk

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash, loan receivables and treasury investments at amortised cost, and details of which have been disclosed in Note 25, Note 22(a) and Note 21.

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

As of December 31, 2022, the Group's notes payable were carried at fixed rates, and the Group's borrowings were partially carried at floating rates.

(c) Price risk

The Group is exposed to price risk in respect of financial assets measured at fair value held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the financial assets, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management (Note 3.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

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

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

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

(b) Trade receivables and contract assets

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

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

The Group applies the IFRS 9 simplified approach to measure ECL which uses lifetime expected loss allowance for all trade receivables and contract assets. The expected loss rates are based on the payment profiles of sales over a period of 36 months or enough credit cycle for those new lines of business and the corresponding historical credit losses experienced within this period. The Group identifies the per capita disposable income of urban residents and the total retail sales of consumer goods of the countries to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the financial assets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

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

Trade receivables are written off when there is no reasonable expectation of recovery with indicators including, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments after exhausting all practical recovery efforts. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Loan receivables

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

(i) ECL model for loan receivables:

The impairment of loan receivables was provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) Loan receivables (Continued)

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

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

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

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

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

- Significant increase in credit risk (SICR)

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

- Definition of default and credit-impaired assets

  The Group defines a financial instrument as in default and credit-impaired, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan receivables held by the Group.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) ***Loan receivables*** *(Continued)*

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

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

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

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

- Forward-looking information incorporated in the ECL models

  The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the per capita disposable income of urban residents as the key economic variables impacting credit risk and ECL.

  As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

- Grouping of instruments for losses measured on a collective basis

  For ECL provisions modeled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) Loan receivables (Continued)

(ii) Loss allowance

The loss allowance recognised in the reporting period is impacted by a variety of factors, as described below:

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

*(c) **Loan receivables** (Continued)*

(ii) Loss allowance (Continued)

The gross carrying amount of the loan receivables explains their significance to the changes in the loss allowance as discussed above:

	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Gross carrying amount as of January 1, 2022	5,849,931	78,443	37,389	5,965,763
Transfers:				
Transfer from Stage 1 to Stage 2	(73,821)	73,821	–	–
Transfer from Stage 1 to Stage 3	(243,135)	–	243,135	–
Transfer from Stage 2 to Stage 1	185	(185)	–	–
Transfer from Stage 2 to Stage 3	–	(90,177)	90,177	–
Net increases/(decreases)	2,914,975	(13,709)	(60,061)	2,841,205
Write-offs	–	–	(330,149)	(330,149)
Recovered after written off	–	–	42,238	42,238
Gross carrying amount as of December 31, 2022	8,448,135	48,193	22,729	8,519,057

For the year ended December 31, 2022, the net decreases of stage 2 and stage 3 include fair value changes of loan receivables measured at FVOCI (Note 22(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(c) Loan receivables (Continued)

(ii) Loss allowance (Continued)

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

	Stage 1 12-month ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Loss allowance as of January 1, 2022	(145,328)	(91,439)	(46,806)	(283,573)
Transfers:				
Transfer from Stage 1 to Stage 2	1,873	(53,781)	–	(51,908)
Transfer from Stage 1 to Stage 3	6,170	–	(208,570)	(202,400)
Transfer from Stage 2 to Stage 1	(5)	135	–	130
Transfer from Stage 2 to Stage 3	–	65,697	(77,357)	(11,660)
Net (increases)/decreases	(73,979)	21,125	43,726	(9,128)
Write-offs	–	–	330,149	330,149
Recovered after written off	–	–	(42,238)	(42,238)
Changes in ECL measurement	(7,664)	4,363	(35,526)	(38,827)
Loss allowance as of December 31, 2022	(218,933)	(53,900)	(36,622)	(309,455)

(iii) Write-off policy

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

***(c) Loan receivables** (Continued)*

(iv) Modification

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

3.1.3 Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk (Continued)

The Group analyses its non-derivative financial liabilities into relevant maturity grouping based on the remaining year at each reporting period end to the contractual maturity date. The amount disclosed in the table is the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2022					
Trade payables	17,379,302	–	–	–	17,379,302
Payables to merchants	12,432,342	–	–	–	12,432,342
Advances from transacting users	5,081,178	–	–	–	5,081,178
Other payables and accruals	8,670,816	–	–	–	8,670,816
Borrowings	17,606,781	48,646	1,429,772	203,699	19,288,898
Notes payable	376,524	376,524	27,081,556	9,502,326	37,336,930
Lease liabilities	2,401,405	1,603,042	1,817,984	59,477	5,881,908
	63,948,348	2,028,212	30,329,312	9,765,502	106,071,374

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2021					
Trade payables	15,165,619	–	–	–	15,165,619
Payables to merchants	10,950,920	–	–	–	10,950,920
Advances from transacting users	5,171,054	–	–	–	5,171,054
Other payables and accruals	8,787,640	–	–	–	8,787,640
Borrowings	11,778,170	2,559,043	9,861,009	–	24,198,222
Notes payable	344,686	344,686	24,894,171	8,941,919	34,525,462
Lease liabilities	1,973,300	1,522,958	1,650,762	86,701	5,233,721
	54,171,389	4,426,687	36,405,942	9,028,620	104,032,638

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to:

- Safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- Maintain an optimal capital structure to reduce the cost of capital.

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

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

3.3 Fair value estimation

3.3.1 Fair value hierarchy

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

The following tables present the Group's assets and liabilities that are measured at fair value as of December 31, 2022 and 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2022				
Financial assets				
Treasury investments at fair value through profit or loss (Note 21)	–	–	77,845,116	77,845,116
Treasury investments at fair value through other comprehensive income (Note 21)	–	4,819,558	6,307,707	11,127,265
Loan receivables at fair value through other comprehensive income (Note 22(a))	–	–	7,124,305	7,124,305
Other financial investments at fair value through profit or loss (Note 19)	–	–	15,073,013	15,073,013
Other financial investments at fair value through other comprehensive income (Note 20)	908,865*	–	1,413,000	2,321,865
	908,865	4,819,558	107,763,141	113,491,564
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	–	100,000	100,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.1 Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2021				
Financial assets				
Treasury investments at fair value through profit or loss (Note 21)	–	–	59,712,781	59,712,781
Treasury investments at fair value through other comprehensive income (Note 21)	–	4,128,024	5,414,982	9,543,006
Loan receivables at fair value through other comprehensive income (Note 22(a))	–	–	4,210,835	4,210,835
Other financial investments at fair value through profit or loss (Note 19)	2,261,812*	–	12,038,045	14,299,857
Other financial investments at fair value through other comprehensive income (Note 20)	532,455*	–	1,490,250	2,022,705
	2,794,267	4,128,024	82,866,893	89,789,184

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.2 Valuation techniques used to determine fair values

Specific valuation techniques used to measure financial instruments include:

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

There was no change to valuation techniques in use during the year ended December 31, 2022.

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

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

The following tables present the movement of level 3 items which use significant unobservable inputs in determining their fair values for the years ended December 31, 2022 and 2021. The Group determines transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

	Treasury investments at fair value through profit or loss RMB'000	Treasury investments at fair value through other comprehensive income RMB'000	Loan receivables at fair value through other comprehensive income RMB'000	Other financial investments at fair value through profit or loss RMB'000	Other financial investments at fair value through other comprehensive income RMB'000	Financial liabilities at fair value through profit or loss RMB'000
As of January 1, 2022	59,712,781	5,414,982	4,210,835	12,038,045	1,490,250	–
Additions	170,008,154	2,190,961	101,415,941	3,149,995	706,500	480,448
Deductions	(154,810,006)	(1,528,525)	(98,508,669)	(848,881)	–	(393,304)
Transfers, net	–	–	–	498,631	(783,750)	–
Changes in fair values	905,336	167,846	6,198	(194,580)	–	–
Currency translation differences	2,028,851	62,443	–	429,803	–	12,856
As of December 31, 2022	77,845,116	6,307,707	7,124,305	15,073,013	1,413,000	100,000
Net unrealised gains/(losses) for the year	316,697	105,721	6,198	(182,223)	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

	Treasury investments at fair value through profit or loss RMB'000	Treasury investments at fair value through other comprehensive income RMB'000	Loan receivables at fair value through other comprehensive income RMB'000	Other financial investments at fair value through profit or loss RMB'000	Other financial investments at fair value through other comprehensive income RMB'000	Financial liabilities at fair value through profit or loss RMB'000
As of January 1, 2021	32,696,946	900,111	–	8,132,267	–	114,600
Additions	377,692,780	4,769,314	23,118,704	5,160,883	450,000	791,400
Deductions	(350,759,213)	(325,609)	(18,850,641)	(773,798)	–	(906,000)
Transfers, net	–	–	–	(1,068,094)	783,750	–
Changes in fair values	1,152,287	78,237	(57,228)	678,454	256,500	–
Currency translation differences	(1,070,019)	(7,071)	–	(91,667)	–	–
As of December 31, 2021	59,712,781	5,414,982	4,210,835	12,038,045	1,490,250	–
Net unrealised gains/(losses) for the year	404,096	77,412	(57,228)	358,423	–	–

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

3.3.4 Valuation process, inputs and relationships to fair value

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

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

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

Description	Fair values as of December 31, 2022 RMB'000	Fair values as of December 31, 2021 RMB'000	Unobservable inputs	Range of inputs as of December 31, 2022	Range of inputs as of December 31, 2021	Relationships of unobservable inputs to fair value
Other financial investments at fair value	**16,486,013**	13,528,295	Expected volatility	**40%-65%**	40%-78%	Note (i)
			Discount for lack of marketability ("DLOM")	**20%-30%**	15%-29%	The higher the DLOM, the lower the fair value
Treasury investments at fair value through profit or loss	**77,845,116**	59,712,781	Expected rate of return	**-2.14%~6.30%**	0.00%-5.12%	The higher the expected rate of return, the higher the fair value
Treasury investments at fair value through other comprehensive income	**6,307,707**	5,414,982	Expected rate of return	**-3.75%~3.85%**	1.45%-2.80%	The higher the expected rate of return, the higher the fair value
Loan receivables at fair value through other comprehensive income	**7,124,305**	4,210,835	Note (ii)	**Note (ii)**	Note (ii)	The higher the risk-adjusted discount rate, the lower the fair value
Financial liabilities at fair value through profit or loss	**100,000**	–	Note (iii)	**Note (iii)**	NA	Note (iii)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

Note (i): Other financial investments at fair value

The unobservable inputs of expected volatility is used in the valuation of other financial investments at fair value. The relationship between them is uncertain.

Note (ii): Loan receivables at fair value through other comprehensive income

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

Note (iii): Financial liabilities at fair value through profit or loss

In December 2022, the Group established and consolidated a limited partnership investment fund ("**the Fund**") with limited life. The Fund invested in private companies in the form of ordinary shares or preferred shares that are measured at fair value through profit or loss. The Group designates the returns to other limited partners as financial liabilities at fair value through profit or loss. These returns are calculated based on the fair value of underlying investments and the predetermined distribution mechanism of returns set out in the agreement of the Fund.

If the respective unobservable inputs of financial assets at fair value through profit or loss held by the Group had been 10% higher or lower, the aggregate profit before income tax for the year ended December 31, 2022 would have been approximately RMB112 million lower or RMB116 million higher (for the year ended December 31, 2021: RMB118 million lower or higher).

If the respective unobservable inputs of financial assets at fair value through other comprehensive income held by the Group had been 10% higher or lower, the aggregate other comprehensive income for the year ended December 31, 2022 would have been approximately RMB8 million higher or RMB6 million lower (for the year ended December 31, 2021: RMB16 million lower or RMB18 million higher).

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Recognition of share-based compensation expenses

As mentioned in Note 2.25, the Group set up the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO Share Award Scheme and granted RSUs and share options to employees and other qualified participants. The fair value of the share options is determined by the Black-Scholes option-pricing model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimates on assumptions, such as risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Directors and third-party valuers. The fair value of the RSUs is determined by reference to the grant-date market price of the ordinary shares.

Forfeitures are estimated based on historical experience and are periodically reviewed. Where the actual forfeitures differ from the initial estimate, such difference will impact the share-based compensation expenses in subsequent periods.

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

The loss allowance for financial and contract assets arising from credit risk is based on assumptions about risk of defaults and expected loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the loss allowance calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1.2.

4.4 Recoverability of goodwill

The Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9.1. Management judgement is required in the area of non-financial asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the revenue growth rate and gross margin, terminal growth rates and pre-tax discount rates assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement. Management determined the recoverable amounts of these CGU or group of CGUs based on the higher of (i) their value in use ("**VIU**") and (ii) their fair value less costs of disposal, of which VIU is calculated based on discounted cash flows expected to be derived from the respective CGU or group of CGUs. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated in Note 16.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.5 Incentives

As disclosed in Note 2.27, all incentives provided to customers from an accounting perspective are recorded as a reduction of revenue to the extent of the revenue earned from that customer on a transaction by transaction basis. For certain other incentives, management judgement is required to determine whether the incentives are in substance payments on behalf of customers and should therefore be recorded as a reduction of revenue or selling and marketing expenses. Some of the factors considered in management's evaluation if such incentives are in substance payments on behalf of customers include whether the incentives are provided at the Group's discretion and the objectives, business strategy and design of the incentive programmes.

4.6 Principal versus agent considerations

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

4.7 Current and deferred income tax

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

Deferred tax assets relating to certain temporary differences or tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different from management's estimation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.8 Presentation and measurement of investments in associates

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

5 SEGMENT REPORTING

5.1 Description of segments and principal activities

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

The CODM assesses the performance of the operating segments mainly based on revenues and operating profit or loss of each operating segment. Thus, segment result would present revenues, cost of revenues and operating expenses, and operating profit or loss for each segment, which is in line with CODM's performance review. There were no material inter-segment sales during the years ended December 31, 2022 and 2021.

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

5 SEGMENT REPORTING *(Continued)*

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

Prior to April 1, 2022, the Group's reportable segments comprised Food delivery, In-store, hotel & travel, and New initiatives and others. From April 1, 2022, the CODM started to review information under a new reporting structure, and segment reporting is updated to conform to this change. The Group's management is of the view that this change of segment disclosure better reflects the Group's updated business strategies, the development phases of various businesses and the financial performance, and better aligns with the Group's resource allocation.

The updated reportable segments comprise (i) Core local commerce, which is aggregated by the former Food delivery and In-store, hotel & travel segments, as well as Meituan Instashopping, alternative accommodations and transportation ticketing. The businesses in Core local commerce have proven economics or similar business models; and (ii) New initiatives, which mainly includes Meituan Select, Meituan Grocery, B2B food distribution, ride sharing, bike sharing, e-moped sharing, power banks, restaurant management system ("**RMS**") and other new initiatives. All the businesses in New initiatives require iterations on business models and more resources. The Group's management periodically reviews their developments, and dynamically adjust resource allocation and strategies.

The comparative figures were reclassified to conform to this presentation.

Core local commerce

The Core local commerce segment includes food delivery, Meituan Instashopping, in-store services, hotel and alternative accommodation, attraction ticketing and transportation ticketing. The food delivery and Meituan Instashopping businesses primarily help consumers place orders of food and grocery prepared by merchants through the Group's online tools, mainly various of mobile apps, and offers on-demand delivery services. The in-store, hotel & travel related businesses primarily help consumers purchase local consumer services provided by merchants in numerous in-store categories or make reservations for hotels, attraction ticketing and transportation ticketing. Revenues from the Core local commerce segment primarily consist of (a) delivery services from both merchants and consumers; (b) commission from technology service fees charged to merchants and third-party agent partners; and (c) online marketing services in various formats provided to merchants. The cost of revenues and operating expenses for the Core local commerce segment primarily consist of (a) delivery related costs; (b) promotion, advertising and user incentives; and (c) employee benefits expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT REPORTING *(Continued)*

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

New initiatives

The Group continually develops various New initiatives, including Meituan Select, Meituan Grocery, B2B food distribution, to satisfy consumers' diverse needs in different consumption scenarios. Revenues from the New initiatives segment primarily consist of (a) Sales of goods primarily from B2B food distribution and Meituan Grocery; and (b) various services rendered by various businesses such as Meituan Select, ride sharing, bike sharing, e-moped sharing, power banks and micro-credit. The cost of revenues and operating expenses for the New initiatives segment primarily consist of (a) transaction costs; (b) employee benefits expenses; (c) other outsourcing costs; and (d) promotion, advertising and user incentives.

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

The Group's revenues are mainly generated in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

5 SEGMENT REPORTING *(Continued)*

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

The segment information provided to the Group's CODM for the reportable segments for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022			
	Core local commerce RMB'000	New initiatives RMB'000	Unallocated items* RMB'000	Total RMB'000
Delivery services	70,063,908	–	–	70,063,908
Commission	55,143,008	1,366,691	–	56,509,699
Online marketing services	30,683,079	85,511	–	30,768,590
Other services and sales (including interest revenue)	4,869,027	57,743,724	–	62,612,751
Total revenues	160,759,022	59,195,926	–	219,954,948
Cost of revenues, operating expenses and unallocated items	(131,256,353)	(87,575,136)	(6,943,907)	(225,775,396)
Including: Delivery related costs	(80,189,722)	–	–	(80,189,722)
Operating (loss)/profit	29,502,669	(28,379,210)	(6,943,907)	(5,820,448)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT REPORTING *(Continued)*

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

	Year ended December 31, 2021			
	Core local commerce RMB'000	New initiatives RMB'000	Unallocated items* RMB'000	Total RMB'000
Delivery services	57,102,328	–	–	57,102,328
Commission	47,988,724	1,656,835	–	49,645,559
Online marketing services	28,985,209	99,961	–	29,085,170
Other services and sales (including interest revenue)	2,569,176	40,725,764	–	43,294,940
Total revenues	136,645,437	42,482,560	–	179,127,997
Cost of revenues, operating expenses and unallocated items	(117,834,392)	(78,401,311)	(6,019,493)	(202,255,196)
Including: Delivery related costs	(72,064,077)	–	–	(72,064,077)
Operating (loss)/profit	18,811,045	(35,918,751)	(6,019,493)	(23,127,199)

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

There is no concentration risk as no revenue from a single external customer was more than 10% of the Group's total revenues for the years ended December 31, 2022 and 2021.

The reconciliation from operating loss to loss before income tax for the years ended December 31, 2022 and 2021 is shown in the consolidated income statement.

5 SEGMENT REPORTING *(Continued)*

5.2 Segment assets

As of December 31, 2022 and 2021, substantially all of the non-current assets of the Group were located in the PRC.

6 REVENUES BY TYPE

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Delivery services	**70,063,908**	57,102,328
Commission	**56,509,699**	49,645,559
Online marketing services	**30,768,590**	29,085,170
Other services and sales (including interest revenue)	**62,612,751**	43,294,940
	219,954,948	179,127,997

Further analysis of revenue disaggregation is included in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Delivery related costs	80,189,722	72,064,077
Employee benefits expenses (Note 8)	41,619,666	34,767,852
Transaction costs (Note (i))	33,333,008	26,352,193
Other outsourcing costs	22,563,096	18,657,751
Promotion, advertising and user incentives	20,569,982	23,200,707
Depreciation of property, plant and equipment (Note 15)	9,194,580	8,110,975
Amortisation of intangible assets (Note 16)	535,734	817,044
Auditor's remuneration		
– Audit and audit-related services	41,402	47,879
– Non-audit services	11,264	8,053

Note (i): Transaction costs consist of cost of inventories sold and certain costs for services rendered.

8 EMPLOYEE BENEFITS EXPENSES

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	25,512,956	23,802,907
Share-based compensation expenses (Note 33)	8,742,962	5,193,860
Other employee benefits	4,635,100	3,600,279
Pension costs – defined contribution plans (Note (i))	2,728,648	2,170,806
	41,619,666	34,767,852

Note (i): Pension costs – defined contribution plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the governmental authorities. The Group contributes funds which are calculated on certain percentages of the employees' salary subject to certain ceilings imposed by governmental authorities to each scheme locally.

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Cost of revenues	**258,405**	125,111
Selling and marketing expenses	**1,294,780**	692,262
Research and development expenses	**4,637,634**	2,617,015
General and administrative expenses	**2,552,143**	1,759,472
	8,742,962	5,193,860

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group do not include any Director for the year ended December 31, 2022 (2021: Nil). All of these individuals have not received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office during the years ended December 31, 2022 and 2021. The emoluments to the highest paid individuals for the years ended December 31, 2022 and 2021 are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Basic salaries	**18,400**	17,760
Bonuses	**–**	864
Pension costs and other employee benefits	**574**	652
Share-based compensation expenses	**512,967**	523,211
	531,941	542,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

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

The emoluments fell within the following bands:

	Number of individuals Year ended December 31,	
	2022	2021
Emolument bands (in HK dollar)		
HK$53,000,001 – HK$53,500,000	**–**	1
HK$57,500,001 – HK$58,000,000	**1**	–
HK$111,000,001 – HK$111,500,000	**1**	–
HK$120,000,001 – HK$120,500,000	**1**	–
HK$132,000,001 – HK$132,500,000	**–**	1
HK$132,500,001 – HK$133,000,000	**–**	1
HK$140,500,001 – HK$141,000,000	**1**	–
HK$161,500,001 – HK$162,000,000	**–**	1
HK$165,500,001 – HK$166,000,000	**1**	–
HK$183,000,001 – HK$183,500,000	**–**	1
	5	5

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

(c) Directors' and chief executive's emoluments

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

For the year ended December 31, 2022:

Name	Fees RMB'000	Basic salaries RMB'000	Bonuses RMB'000	Pension costs and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Wang Xing	–	5,040	–	157	–	5,197
Mu Rongjun	–	4,080	–	157	7,379	11,616
Wang Huiwen	–	1,508	–	157	–	1,665
Lau Chi Ping Martin	–	–	–	–	–	–
Neil Nanpeng Shen	–	–	–	–	–	–
Orr Gordon Robert Halyburton	500	–	–	–	776	1,276
Shum Heung Yeung Harry	500	–	–	–	776	1,276
Leng Xuesong	500	–	–	–	776	1,276
	1,500	10,628	–	471	9,707	22,306

For the year ended December 31, 2021:

Name	Fees RMB'000	Basic salaries RMB'000	Bonuses RMB'000	Pension costs and other employee benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Wang Xing	–	5,040	–	152	–	5,192
Mu Rongjun	–	4,080	–	152	11,957	16,189
Wang Huiwen	–	1,494	–	153	–	1,647
Lau Chi Ping Martin	–	–	–	–	–	–
Neil Nanpeng Shen	–	–	–	–	–	–
Orr Gordon Robert Halyburton	500	–	–	–	275	775
Shum Heung Yeung Harry	500	–	–	–	275	775
Leng Xuesong	500	–	–	–	275	775
	1,500	10,614	–	457	12,782	25,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFITS EXPENSES *(Continued)*

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

(i) Directors' termination benefits

No Directors' termination benefits subsisted at the end of the years or at any time during the years ended December 31, 2022 and 2021.

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

No consideration provided to or receivable by third parties for making available Directors' services subsisted at the end of the years or at any time during the years ended December 31, 2022 and 2021.

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

There were no loans, quasi-loans and other dealings in favour of Directors, their controlled bodies corporate and connected entities subsisted at the end of the years or at any time during the years ended December 31, 2022 and 2021.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended December 31, 2022 and 2021.

(v) Waiver of Directors' emoluments

The non-executive Directors have not received any emoluments for the years ended December 31, 2022 and 2021. None of the other Directors waived or have agreed to waive any emoluments during the years ended December 31, 2022 and 2021.

(vi) Mr. Lau Chi Ping Martin, who has served as a member of the board of directors of the Company since October 2017, has resigned as a non-executive director with effect from November 16, 2022.

9 OTHER GAINS/(LOSSES), NET

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Subsidies and tax preference (Note (i))	**2,032,806**	1,502,905
Fair value changes and gains from treasury investments	**1,442,083**	1,319,680
Foreign exchange gains/(losses), net	**354,271**	(34,977)
Dilution gains (Note 12)	**214,521**	716,427
Fine imposed pursuant to China's Anti-Monopoly Law	**–**	(3,442,440)
Others	**121,356**	(247,329)
	4,165,037	(185,734)

Note (i): Since April 1, 2019, taxpayers in the manufacturing and consumer services industry are allowed to enjoy additional 10% of input VAT amount deductible from tax payable. Since October 1, 2019, taxpayers in consumer services industry are allowed to enjoy additional 15% of input VAT amount deductible from tax payable. Such additional VAT deduction was recorded as "Other gains/(losses), net". For the years ended December 31, 2022 and 2021, the Group recognised a gain of RMB1,603.6 million and RMB1,250.5 million, respectively.

10 FINANCE INCOME/(COSTS)

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	**657,908**	546,037
Finance costs		
Interest expenses on bank borrowings and notes payable	**(1,317,132)**	(887,278)
Interest in respect of lease liabilities	**(266,053)**	(193,420)
Others	**(45,640)**	(50,237)
Total	**(1,628,825)**	(1,130,935)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES

The Company's major subsidiaries (including directly held and indirectly held, collectively controlled, and structured entities) for the years ended December 31, 2022 and 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name	Place of incorporation/ establishment and kind of legal entity	Particulars of issued capital	Effective interests held (Note (i)) As of December 31, 2022	2021	Principal activities and place of operation
Directly held:					
Inspired Elite Investments Limited	The British Virgin Islands, limited liability company	USD50,000	**100%**	100%	Investment holding in The British Virgin Islands
Indirectly held:					
Beijing Sankuai Online Technology Co., Ltd.	Beijing, the PRC, limited liability company	USD5,045,770,000	**100%**	100%	E-commerce service platform in the PRC
Hanhai Information Technology (Shanghai) Co., Ltd.	Shanghai, the PRC, limited liability company	USD495,000,000	**100%**	100%	Multimedia information technology services in the PRC
Xiamen Sankuai Online Technology Co., Ltd.	Xiamen, the PRC, limited liability company	USD549,049,120	**100%**	100%	E-commerce service platform in the PRC
Shanghai Sankuai Zhisong Technology Co., Ltd.	Shanghai, the PRC, limited liability company	USD320,000,000	**100%**	100%	Delivery services in the PRC
Chongqing Meituan Sankuai Micro-credit Co., Ltd.	Chongqing, the PRC, limited liability company	RMB7,500,000,000	**100%**	100%	Micro-credit business in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

11 SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment and kind of legal entity	Particulars of issued capital	Effective interests held (Note (i)) As of December 31, 2022	2021	Principal activities and place of operation
Structured entities (Note (ii)):					
Beijing Sankuai Technology Co., Ltd.	Beijing, the PRC, limited liability company	RMB5,480,000,000	100%	100%	E-commerce service platform in the PRC
Shanghai Sankuai Technology Co., Ltd.	Shanghai, the PRC, limited liability company	RMB5,000,000	100%	100%	Online retail platform in the PRC
Beijing Sankuai Cloud Computing Co., Ltd.	Beijing, the PRC, limited liability company	RMB870,000,000	100%	100%	Cloud computing in the PRC
Shanghai Hantao Information Consultancy Co., Ltd.	Shanghai, the PRC, limited liability company	RMB10,000,000	100%	100%	Merchant information advisory services in the PRC

Note (i): The Effective interests held by the Group have no changes since January 1, 2023 until the reporting date.

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

Due to the implementation of the shares award scheme of the Group mentioned in Note 2.10, certain structured entity ("**Share Scheme Trust**") has been set up. The principal activities of Share Scheme Trust is administering and holding the Company's shares issued for Post-IPO Share Award Scheme. As the Company has the power to govern the financial and operating policies of the Share Scheme Trust and can derive benefits from the contributions of the eligible persons who are awarded with the shares by the schemes, the Directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Associates (a)	**16,568,451**	13,856,036
Joint ventures	**13,930**	12,752
	16,582,381	13,868,788

Out of total amount as of December 31, 2022, investments in associates with aggregated balance of RMB13.2 billion were denominated in USD (as of December 31, 2021: RMB11.5 billion), and other balances were denominated in RMB.

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Investments in associates		
– listed entities	**14,651,457**	11,573,568
– unlisted entities	**1,916,994**	2,282,468
	16,568,451	13,856,036

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

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

The quoted fair value of the investments in listed entities was RMB20,719 million and RMB27,228 million as of December 31, 2022 and 2021, respectively.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**13,856,036**	13,167,893
Additions	**100,000**	–
Transfers, net (Note (i))	**1,009,246**	–
Dilution gains (Note (ii))	**214,521**	716,427
Dividends from associates	**(47,029)**	(15,137)
Disposals	**–**	(8,888)
Share of profits of investments accounted for using the equity method	**35,848**	145,620
Share of other changes in equity	**334,060**	117,125
Currency translation differences	**1,065,769**	(267,004)
At the end of the year	**16,568,451**	13,856,036

Note (i): During the year ended December 31, 2022, the Group's transfers represented the net results of transferring from/to other financial investments at fair value mainly due to obtaining significant influence over the investment.

Note (ii): Dilution gains mainly comprised gains on dilution of the Group's equity interests in Li Auto Inc. due to the issuance of additional shares in 2022 and 2021.

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

There were no individually material associates that are accounted for using the equity method as of December 31, 2022 and 2021. Aggregated amount of the Group's share of profits/(losses) of individually immaterial associates accounted for using the equity method is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
– Profit from operations	**35,848**	145,620
– Other comprehensive income/(loss)	**81,961**	(41,797)
	117,809	103,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 TAXATION

(a) Value Added Tax

The Group is mainly subject to VAT rate of 6% for services revenues or 13% for revenues of inventories sales, and relevant surcharges on VAT payments according to PRC tax law.

(b) Income tax

Cayman Islands

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

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains. Additionally, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended December 31, 2022 and 2021.

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

CIT provision was made on the estimated assessable profit of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended December 31, 2022 and 2021.

Certain subsidiaries of the Group in the PRC are subject to “high and new technology enterprises”, whose preferential income tax rate was 15% for the years ended December 31, 2022 and 2021. Moreover, a subsidiary is entitled to the preferential policy of “2-year exemption and 3-year half rate concession”. Certain PRC subsidiaries located in western region and engaged in certain encouraged industries were eligible for a preferential income tax rate of 15%. In addition, certain PRC subsidiaries of the Group are subject to “small and thin-profit enterprises” under the CIT Law, whose preferential income tax rate was 20% for the years ended December 31, 2022 and 2021.

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

Withholding tax on undistributed dividends

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Current income tax expenses	**(377,248)**	(417,262)
Deferred income tax credits (Note 18)	**447,442**	447,541
Total income tax credits	**70,194**	30,279

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2022 and 2021, being the tax rate of the major subsidiaries of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 TAXATION *(Continued)*

(b) Income tax *(Continued)*

The difference is analysed as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Loss before income tax	**(6,755,517)**	(23,566,477)
Tax calculated at statutory income tax rate of 25% in mainland China	**1,688,879**	5,891,619
Tax effects of:		
– Different tax rates available to different jurisdictions	**20,958**	(615,429)
– Preferential income tax rates applicable to subsidiaries	**(1,459,002)**	(2,316,035)
– Expenses not deductible for income tax purposes	**(229,507)**	(132,578)
– Super deduction for research and development expenses	**1,531,731**	1,190,896
– Tax losses for which no deferred income tax assets was recognised, net	**(924,393)**	(3,993,860)
– Other temporary differences (for which no deferred income tax assets was recognised)/utilised from previous periods, net	**(559,946)**	62,252
– Withholding tax (Note (i))	**81,357**	(40,982)
– Change of income tax rate	**(63,314)**	–
– Others	**(16,569)**	(15,604)
Total income tax credits	**70,194**	30,279

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

14 LOSS PER SHARE

(a) Basic loss per share for the years ended December 31, 2022 and 2021 were calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2022	2021
Loss for the year attributable to the equity holders of the Company (RMB'000)	**(6,686,110)**	(23,538,379)
Weighted average number of ordinary shares in issue (thousands)	**6,156,595**	6,037,677
Basic loss per share (RMB)	**(1.09)**	(3.90)

(b) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, RSUs and convertible bonds. As the Group incurred losses for the years ended December 31, 2022 and 2021, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the years ended December 31, 2022 and 2021 were the same as basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Bikes and electric mopeds RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2022						
Cost	8,975,712	12,385,280	943,000	13,568,495	2,036,595	37,909,082
Accumulated depreciation and impairment	(5,082,724)	(6,952,738)	(524)	(2,168,516)	(890,334)	(15,094,836)
Net book amount	3,892,988	5,432,542	942,476	11,399,979	1,146,261	22,814,246
For the year ended December 31, 2022						
Opening net book amount	3,892,988	5,432,542	942,476	11,399,979	1,146,261	22,814,246
Additions	3,364,983	–	2,742,454	3,151,048	381,877	9,640,362
Transfers	5,386	1,141,483	(2,235,833)	–	1,088,964	–
Disposals	(21,269)	(304,029)	(199,086)	(185,258)	(128,658)	(838,300)
Depreciation charges	(2,290,456)	(3,562,338)	–	(2,721,496)	(737,416)	(9,311,706)
Impairment charges	(165)	–	(86,316)	–	(16,847)	(103,328)
Currency translation differences	–	–	–	(15)	–	(15)
Ending net book amount	4,951,467	2,707,658	1,163,695	11,644,258	1,734,181	22,201,259
As of December 31, 2022						
Cost	12,166,263	9,391,090	1,250,535	15,227,521	3,204,135	41,239,544
Accumulated depreciation and impairment	(7,214,796)	(6,683,432)	(86,840)	(3,583,263)	(1,469,954)	(19,038,285)
Net book amount	4,951,467	2,707,658	1,163,695	11,644,258	1,734,181	22,201,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Computer equipment RMB'000	Bikes and electric mopeds RMB'000	Assets under construction RMB'000	Right-of-use assets RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021						
Cost	5,644,530	11,837,828	241,703	3,756,829	1,218,979	22,699,869
Accumulated depreciation and impairment	(3,520,901)	(3,784,637)	(546)	(1,031,912)	(444,708)	(8,782,704)
Net book amount	2,123,629	8,053,191	241,157	2,724,917	774,271	13,917,165
For the year ended December 31, 2021						
Opening net book amount	2,123,629	8,053,191	241,157	2,724,917	774,271	13,917,165
Additions	3,430,860	117,425	2,688,446	10,957,243	346,055	17,540,029
Transfers	–	1,216,240	(1,920,913)	–	704,673	–
Disposals	(19,111)	(136,405)	(66,008)	(180,590)	(78,184)	(480,298)
Depreciation charges	(1,642,390)	(3,817,909)	–	(2,101,565)	(549,111)	(8,110,975)
Impairment charges	–	–	(206)	–	(51,443)	(51,649)
Currency translation differences	–	–	–	(26)	–	(26)
Ending net book amount	3,892,988	5,432,542	942,476	11,399,979	1,146,261	22,814,246
As of December 31, 2021						
Cost	8,975,712	12,385,280	943,000	13,568,495	2,036,595	37,909,082
Accumulated depreciation and impairment	(5,082,724)	(6,952,738)	(524)	(2,168,516)	(890,334)	(15,094,836)
Net book amount	3,892,988	5,432,542	942,476	11,399,979	1,146,261	22,814,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation charges were expensed or capitalised in the following categories in the consolidated income statement or the consolidated statement of financial position respectively:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Cost of revenues	**6,916,879**	6,389,656
Selling and marketing expenses	**1,166,851**	846,153
Research and development expenses	**604,034**	417,136
General and administrative expenses	**506,816**	458,030
Assets under construction	**117,126**	–
	9,311,706	8,110,975

(a) Leases

The carrying amounts of right-of-use assets by category are as follows:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Land use rights	**6,538,425**	6,678,976
Offices	**3,149,108**	2,937,030
Others	**1,956,725**	1,783,973
Total	**11,644,258**	11,399,979

The consolidated financial statements shows the following amounts relating to leases:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**2,721,496**	2,101,565
Interest expenses (included in finance costs)	**266,053**	193,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Other intangible assets arising from business combinations RMB'000	Software and others RMB'000	Total RMB'000
As of January 1, 2022				
Cost	27,932,090	7,714,630	1,956,232	37,602,952
Accumulated amortisation and impairment	(201,587)	(4,488,698)	(1,863,853)	(6,554,138)
Net book amount	27,730,503	3,225,932	92,379	31,048,814
For the year ended December 31, 2022				
Opening net book amount	27,730,503	3,225,932	92,379	31,048,814
Additions	43,048	15,630	71,217	129,895
Amortisation charges	–	(471,372)	(64,362)	(535,734)
Ending net book amount	27,773,551	2,770,190	99,234	30,642,975
As of December 31, 2022				
Cost	27,975,138	7,730,260	2,016,238	37,721,636
Accumulated amortisation and impairment	(201,587)	(4,960,070)	(1,917,004)	(7,078,661)
Net book amount	27,773,551	2,770,190	99,234	30,642,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS *(Continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

16 INTANGIBLE ASSETS *(Continued)*

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

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
General and administrative expenses	**177,387**	177,565
Selling and marketing expenses	**170,591**	443,794
Cost of revenues	**159,683**	176,000
Research and development expenses	**28,073**	19,685
	535,734	817,044

Impairment of goodwill

Management reviews the business performance based on type of business and monitors the goodwill at the CGU level. The following is a summary of goodwill allocation for CGUs:

Year ended December 31, 2022	**Opening RMB'000**	**Additions RMB'000**	**Ending RMB'000**
Food delivery	**4,845,229**	**–**	**4,845,229**
In-store, hotel & travel	**18,950,647**	**–**	**18,950,647**
Bike sharing and e-moped sharing services	**3,707,427**	**–**	**3,707,427**
Other CGUs	**227,200**	**43,048**	**270,248**
	27,730,503	**43,048**	**27,773,551**

Year ended December 31, 2021	Opening RMB'000	Additions RMB'000	Ending RMB'000
Food delivery	4,845,229	–	4,845,229
In-store, hotel & travel	18,950,647	–	18,950,647
Bike sharing and e-moped sharing services	3,707,427	–	3,707,427
Other CGUs	144,132	83,068	227,200
	27,647,435	83,068	27,730,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

The goodwill balance mainly arose from the strategic transaction of Meituan and Dianping and business combination of Mobike. Goodwill is attributable to the acquired transacting volume and economies of scale expected to be derived from combining with the operations of the Group.

The Group carries out its annual impairment test on goodwill by comparing the recoverable amounts of CGU to the carrying amounts. The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the 5-year period. The Group believes that it is appropriate to cover a 5-year period in its cash flow projections, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2022 and 2021, according to IAS 36 "Impairment of assets".

The key assumptions used in the value-in-use calculations for significant group of CGUs allocated with goodwill are as follows:

As of December 31, 2022

	Food delivery	In-store, hotel & travel	Bike sharing and e-moped sharing services
Annual revenue growth rate for 5-year period	3%-16%	3%-28%	11%-12%
Gross margin	25%	85%	24%-42%
Terminal revenue growth rate	3%	3%	3%
Pre-tax discount rate	26%	26%	28%

16 INTANGIBLE ASSETS *(Continued)*

Impairment of goodwill *(Continued)*

As of December 31, 2021

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

The budgeted gross margin used in the goodwill impairment testing are determined by the management based on past performance and its expectation for market development. The expected revenue growth rates are following the business plan approved by the Group. Pre-tax discount rates reflect market assessments of the time value and the specific risks relating to the industry.

Other CGUs cover the business of RMS, micro-credit business and Meituan Instashopping. As of December 31, 2022 and 2021, the pre-tax discount rates used in the impairment testing for other CGUs were from 20% to 29% and 22% to 30%, while the terminal revenue growth rate were 3% and 3%.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	Note	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000
Assets as per consolidated statement of financial position			
Financial assets at fair value through profit or loss:			
– Treasury investments at fair value through profit or loss	21	**77,845,116**	59,712,781
– Other financial investments at fair value through profit or loss	19	**15,073,013**	14,299,857
		92,918,129	74,012,638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Note	As of December 31, 2022 RMB'000	2021 RMB'000
Financial assets at fair value through other comprehensive income:			
– Treasury investments at fair value through other comprehensive income	21	**11,127,265**	9,543,006
– Loan receivables at fair value through other comprehensive income	22(a)	**7,124,305**	4,210,835
– Other financial investments at fair value through other comprehensive income	20	**2,321,865**	2,022,705
		20,573,435	15,776,546
Financial assets at amortised cost:			
– Trade receivables	24	**2,052,731**	1,793,035
– Prepayments, deposits and other assets	22	**6,287,829**	8,100,619
– Treasury investments at amortised cost	21	**11,014,947**	19,036,671
– Restricted cash	25(b)	**14,605,601**	13,276,919
– Cash and cash equivalents	25(a)	**20,158,606**	32,513,428
		54,119,714	74,720,672
Liabilities as per consolidated statement of financial position			
Financial liabilities at fair value through profit or loss		**100,000**	–
Financial liabilities at amortised cost:			
– Trade payables	29	**17,379,302**	15,165,619
– Payables to merchants		**12,432,342**	10,950,920
– Advances from transacting users		**5,081,178**	5,171,054
– Other payables and accruals	30	**8,736,708**	8,865,695
– Borrowings	31	**19,111,112**	23,784,867
– Notes payable	32	**33,607,372**	30,383,378
– Lease liabilities		**5,369,141**	4,750,785
		101,717,155	99,072,318

18 DEFERRED INCOME TAXES

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

(a) Deferred tax assets

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
– Tax losses	**1,836,236**	1,695,764
– Others	**407,408**	511,208
Total gross deferred tax assets	**2,243,644**	2,206,972
Set-off of deferred tax assets pursuant to set-off provisions	**(746,538)**	(828,504)
Net deferred tax assets	**1,497,106**	1,378,468

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after 12 months	**518,141**	653,820
– to be recovered within 12 months	**978,965**	724,648
	1,497,106	1,378,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 DEFERRED INCOME TAXES *(Continued)*

(a) Deferred tax assets *(Continued)*

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

	Tax losses RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2022	**1,695,764**	**511,208**	**2,206,972**
Credited/(charged) to consolidated income statement	**265,619**	**(76,285)**	**189,334**
Charged to other reserves	**(125,147)**	**(27,515)**	**(152,662)**
As of December 31, 2022	**1,836,236**	**407,408**	**2,243,644**
As of January 1, 2021	1,009,919	314,032	1,323,951
Credited to consolidated income statement	349,255	197,176	546,431
Credited to other reserves	336,590	–	336,590
As of December 31, 2021	1,695,764	511,208	2,206,972

The Group only recognises deferred tax assets for cumulative tax losses if it is probable that future taxable income will be available to utilise those tax losses. Management will continue to assess the recognition of deferred tax assets in future reporting periods. As of December 31, 2022 and 2021, the Group did not recognise deferred tax assets of RMB15.4 billion and RMB13.7 billion in respect of cumulative tax losses amounting to RMB91.9 billion and RMB74.9 billion including the tax losses arising from the excess deduction of share-based payments. These tax losses will expire from 2023 to 2027 (2021:2022 to 2026), and certain subsidiaries of the Group may extend to 2032 (2021: 2031).

18 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities

	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000
The balance comprises temporary differences attributable to:		
– Other intangible assets arising from business combinations	**(410,827)**	(489,022)
– Investments accounted for using the equity method or at fair value	**(999,646)**	(1,051,129)
– Others	**(182,168)**	(184,044)
Total gross deferred tax liabilities	**(1,592,641)**	(1,724,195)
Set-off of deferred tax liabilities pursuant to set-off provisions	**746,538**	828,504
Net deferred tax liabilities	**(846,103)**	(895,691)

	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000
Deferred tax liabilities:		
– to be recovered after 12 months	**(824,564)**	(893,459)
– to be recovered within 12 months	**(21,539)**	(2,232)
	(846,103)	(895,691)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 DEFERRED INCOME TAXES *(Continued)*

(b) Deferred tax liabilities *(Continued)*

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

	Other intangible assets arising from business combinations RMB'000	Investments accounted for using the equity method or at fair value RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2022	(489,022)	(1,051,129)	(184,044)	(1,724,195)
Credited to consolidated income statement	80,540	154,673	22,895	258,108
Charged to other reserves	–	(103,190)	(21,019)	(124,209)
Business combination	(2,345)	–	–	(2,345)
As of December 31, 2022	(410,827)	(999,646)	(182,168)	(1,592,641)
As of January 1, 2021	(620,647)	(804,356)	(205,972)	(1,630,975)
(Charged)/credited to consolidated income statement	142,325	(263,143)	21,928	(98,890)
Credited to other reserves	–	16,370	–	16,370
Business combination	(10,700)	–	–	(10,700)
As of December 31, 2021	(489,022)	(1,051,129)	(184,044)	(1,724,195)

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

19 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Associates (a)	**7,901,487**	4,453,450
Other investees (b)	**7,171,526**	9,846,407
	15,073,013	14,299,857

RMB5.5 billion of other financial investments at fair value through profit or loss was denominated in USD (2021: RMB5.9 billion), and other balances were denominated in RMB.

(a) Associates

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**4,453,450**	2,690,100
Additions	**2,241,531**	2,393,024
Changes in fair values	**155,665**	219,221
Disposals	**(246,092)**	(60,000)
Transfer, net (Note (i))	**1,217,839**	(783,750)
Currency translation differences	**79,094**	(5,145)
At the end of the year	**7,901,487**	4,453,450

Note (i): During the year ended December 31, 2022, the Group's transfer represented one investment with the carrying amount of approximately RMB1,218 million transferred from investments accounted for using the equity method, as a result of change in the characteristics of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Other investees

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**9,846,407**	7,566,686
Additions	**908,464**	2,767,859
Changes in fair values	**(1,168,722)**	596,526
Disposals	**(602,789)**	(713,798)
Transfers, net (Note (i))	**(2,162,543)**	(284,344)
Currency translation differences	**350,709**	(86,522)
At the end of the year	**7,171,526**	9,846,407

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

Note (i): During the year ended December 31, 2022, the Group's transfers comprised a transfer to investments accounted for using the equity method after the Group changed the intention to hold the investment for strategic purpose, and another transfer to other financial investments at fair value through other comprehensive income as a result of conversion of the preferred shares into ordinary shares upon the investee's Initial Public Offering.

20 OTHER FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Equity investments in listed entities	**908,865**	532,455
Equity investments in unlisted entities	**1,413,000**	1,490,250
	2,321,865	2,022,705

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**2,022,705**	605,918
Additions	**706,500**	450,000
Changes in fair values (Note 27)	**(442,897)**	(86,821)
Transfers, net	**(64,542)**	1,068,094
Currency translation differences	**100,099**	(14,486)
At the end of the year	**2,321,865**	2,022,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TREASURY INVESTMENTS

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Long-term treasury investments at		
– Amortised cost	**748,880**	715,158
– Fair value through profit or loss	**7,365,178**	3,295,284
	8,114,058	4,010,442
Short-term treasury investments at		
– Amortised cost	**10,266,067**	18,321,513
– Fair value through profit or loss	**70,479,938**	56,417,497
– Fair value through other comprehensive income	**11,127,265**	9,543,006
	91,873,270	84,282,016

Treasury investments at amortised cost were primarily fixed rate certificates of deposit and term deposits. Treasury investments at fair value through profit or loss were wealth management products on which the principal and returns were not guaranteed. Treasury investments at fair value through other comprehensive income were large-denomination negotiable certificates of term deposits and other financial products.

Treasury investments were denominated in the following currencies:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
USD	**27,615,645**	54,654,850
RMB	**72,371,683**	33,637,608
	99,987,328	88,292,458

22 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As of December 31,	
	2022 RMB'000	2021 RMB'000
Non-current		
Loan receivables (a)	3,240,645	1,021,951
Prepayments for PP&E and other assets	739,251	1,242,518
Rental deposits	414,836	409,322
Deductible value-added tax	16,916	247,226
Others	491,420	460,255
	4,903,068	3,381,272
Current		
Loan receivables (a)	5,203,420	4,819,078
Deductible value-added tax	1,582,525	3,056,071
Contract assets	1,475,951	930,984
Receivables upon share-based payments vesting or exercise	1,468,075	2,258,425
Prepayments for purchased goods or services	639,763	469,608
Prepayments on behalf of third parties	591,157	402,626
Deposits in third-party payment processors	357,408	882,395
Prepayments to merchants	420,159	568,026
Amounts due from related parties (Note 37)	107,519	516,492
Others	1,446,517	1,377,881
	13,292,494	15,281,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Loan receivables

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Loan receivables at amortised cost	**1,394,752**	1,754,928
Less: allowance for impairment (Note 3.1.2)	**(74,992)**	(124,734)
	1,319,760	1,630,194
Loan receivables at fair value through other comprehensive income	**7,175,335**	4,268,063
Less: fair value changes of loan receivables	**(51,030)**	(57,228)
	7,124,305	4,210,835
Allowances for impairment losses on loan receivables at fair value through other comprehensive income (Note 3.1.2)	**(234,463)**	(158,839)

23 INVENTORIES

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Finished goods	**1,084,379**	598,542
Raw materials	**102,989**	139,873
	1,187,368	738,415
Less: provisions for impairment	**(24,603)**	(56,722)
	1,162,765	681,693

24 TRADE RECEIVABLES

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables	**2,367,957**	2,019,029
Less: allowance for impairment	**(315,226)**	(225,994)
	2,052,731	1,793,035

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

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
At the beginning of the year	**(225,994)**	(166,570)
Credit loss allowance recognised, net	**(91,260)**	(93,379)
Write-offs	**2,028**	33,955
At the end of the year	**(315,226)**	(225,994)

The Group considered that the carrying amount of the trade receivables approximated their fair values as of December 31, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 TRADE RECEIVABLES *(Continued)*

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

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
Within 3 months	**1,867,157**	1,669,739
3 to 6 months	**142,353**	101,529
6 months to 1 year	**33,060**	17,861
Over 1 year	**10,161**	3,906
	2,052,731	1,793,035

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

The maximum exposure to credit risk as of December 31, 2022 and 2021 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

25 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

(a) Cash and cash equivalents

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Cash on hand and cash in bank	**13,347,292**	20,084,162
Term deposits with initial terms within three months	**6,033,425**	11,871,616
Cash held in other financial institutions (Note (i))	**777,889**	557,650
	20,158,606	32,513,428

Note (i): Cash and cash equivalents of the Group primarily represents bank deposits and fixed deposits with maturities less than three months. As of December 31, 2022 and 2021, the Group had certain amounts of cash held in accounts managed by other financial institutions in connection with the ordinary course of business, which have been classified as cash and cash equivalents on the consolidated statement of financial position.

25 CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS *(Continued)*

(a) Cash and cash equivalents *(Continued)*

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
RMB	**18,748,198**	15,934,705
USD	**1,199,030**	16,507,095
Others	**211,378**	71,628
	20,158,606	32,513,428

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
RMB	**14,538,896**	13,243,107
USD	**33,286**	22,166
Others	**33,419**	11,646
	14,605,601	13,276,919

As of December 31, 2022, there were no restricted deposits held by banks as letter of guarantee (2021: RMB79 million). Other restricted cash balances were those held in bank accounts subject to certain restriction according to agreement with certain parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARES AWARD SCHEME

As of December 31, 2022 and 2021, the authorised share capital of the Company comprised 10,000,000,000 ordinary shares with par value of USD0.00001 per share. The number of authorised share capital of Class A and Class B Share is 735,568,783 and 9,264,431,217, respectively. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, respectively, on any resolution tabled at the Company's general meetings, except for resolutions with respect to a limited number of reserved matters, in relation to which each Share is entitled to one vote. Class A Shares may be converted into Class B Shares on a one to one ratio. The weighted voting rights attached to the Company's Class A Shares will cease when none of the holders of the Class A Shares have beneficial ownership of any of our Class A Shares.

Issued and fully paid:

	Number of ordinary shares '000	Share capital RMB'000	Share premium RMB'000	Shares held for shares award scheme RMB'000
As of January 1, 2022	**6,136,145**	**411**	**311,221,237**	**–**
Exercise of share options and RSUs vesting	**13,880**	**1**	**5,522,107**	**3**
Shares held for shares award scheme	**43,126**	**3**	**–**	**(3)**
As of December 31, 2022	**6,193,151**	**415**	**316,743,344**	**–**
As of January 1, 2021	5,885,649	395	263,155,201	–
Exercise of share options and RSUs vesting	42,334	2	2,780,149	1
Shares held for shares award scheme	9,809	1	–	(1)
Issuance of shares upon placement and subscription	198,353	13	45,285,887	–
As of December 31, 2021	6,136,145	411	311,221,237	–

As of December 31, 2022, there were 640,919,783 Class A Shares amongst the total issued Shares and the remainders were Class B Shares.

27 OTHER RESERVES

	Capital reserve RMB'000	Share-based payments RMB'000	Currency translation differences RMB'000	Conversion option of convertible bonds RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2022	20	6,835,306	(11,899,519)	1,513,938	683,580	(2,866,675)
Equity-settled share-based payments	–	8,742,962	–	–	–	8,742,962
Exercise of share options and RSUs vesting	–	(5,256,130)	–	–	–	(5,256,130)
Share of changes in net assets of associates	–	–	–	–	332,660	332,660
Currency translation differences	–	–	1,194,270	–	–	1,194,270
Fair value changes of and net provisions for impairment losses on financial assets	–	–	–	–	(719,053)	(719,053)
Tax benefit from share-based payments	–	–	–	–	17,458	17,458
Appropriations to general reserves	–	–	–	–	38,695	38,695
As of December 31, 2022	20	10,322,138	(10,705,249)	1,513,938	353,340	1,484,187

	Capital reserve RMB'000	Share-based payments RMB'000	Currency translation differences RMB'000	Conversion option of convertible bonds RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2021	20	4,150,291	(10,359,316)	–	(53,061)	(6,262,066)
Equity-settled share-based payments	–	5,193,445	–	–	–	5,193,445
Exercise of share options and RSUs vesting	–	(2,508,430)	–	–	–	(2,508,430)
Share of changes in net assets of associates	–	–	–	–	117,125	117,125
Currency translation differences	–	–	(1,540,203)	–	–	(1,540,203)
Fair value changes of and net provisions for impairment losses on financial assets	–	–	–	–	81,578	81,578
Issuance of convertible bonds (equity component) (Note 32)	–	–	–	1,513,938	–	1,513,938
Tax benefit from share-based payments	–	–	–	–	535,289	535,289
Appropriations to general reserves	–	–	–	–	2,649	2,649
As of December 31, 2021	20	6,835,306	(11,899,519)	1,513,938	683,580	(2,866,675)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED REVENUES

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Online marketing services and others	**5,010,489**	5,263,620
Business cooperation agreement with Maoyan	**–**	157,264
Various packages for bike sharing and e-moped sharing services	**42,886**	57,596
	5,053,375	5,478,480

The following table shows the amount of the revenues recognised in the current reporting period relating to carried-forward deferred revenues:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenues recognised that was included in the deferred revenues balance at the beginning of the year		
Online marketing services and others	**4,558,722**	4,092,837
Business cooperation agreement with Maoyan (Note 37)	**157,264**	209,685
Various packages for bike sharing and e-moped sharing services	**57,596**	65,873
	4,773,582	4,368,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

29 TRADE PAYABLES

As of December 31, 2022 and 2021, the aging analysis of the trade payables based on invoice date is as follows:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Trade payables		
Within 3 months	**16,960,247**	14,906,908
3 to 6 months	**221,416**	146,690
6 months to 1 year	**87,595**	88,042
Over 1 year	**110,044**	23,979
	17,379,302	15,165,619

The Group's trade payables was primarily denominated in RMB.

30 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Employee payroll and benefits payables	**6,548,048**	5,862,949
Deposits from merchants and transacting users	**5,634,670**	5,188,900
Amounts collected on behalf of third parties	**1,206,368**	1,835,104
Accrued expenses	**676,758**	671,597
Taxes and surcharges payables	**673,769**	631,276
Customer advances	**626,134**	682,029
Amounts due to related parties (Note 37)	**304,501**	280,620
Undue interests accrued for senior notes (Note 32)	**65,892**	60,320
Unpaid fine imposed pursuant to China's Anti-Monopoly Law	**–**	2,422,440
Others	**919,167**	765,503
	16,655,307	18,400,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BORROWINGS

	As of December 31, 2022		As of December 31, 2021	
	Original amount	**Amount**	Original amount	Amount
	'000	**RMB'000**	'000	RMB'000
Included in non-current liabilities:				
RMB bank borrowings – unsecured	**RMB1,396,000**	**1,396,000**	–	–
RMB bank borrowings – secured (Note (i))	**RMB152,967**	**152,967**	–	–
USD bank borrowings – unsecured	**–**	**–**	USD1,916,600	12,219,667
		1,548,967		12,219,667
Included in current liabilities:				
RMB bank borrowings – unsecured	**RMB17,562,145**	**17,562,145**	RMB2,140,000	2,140,000
USD bank borrowings – unsecured	**–**	**–**	USD1,478,300	9,425,200
		17,562,145		11,565,200

As of December 31, 2022, the effective interest rates for bank borrowings were 1.77%-3.65% (2021: 0.94%-3.75%). For the year ended December 31, 2022, the weighted average effective interest rate was 2.39% per annum (2021: 1.70% per annum).

The amount of borrowing costs capitalised during the year ended December 31, 2022 was immaterial (2021: Nil).

Note (i): As of December 31, 2022, the Group's land use rights with an original book value of RMB6,738 million (2021: Nil) had been charged as collateral for borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

32 NOTES PAYABLE

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Included in non-current liabilities:		
Non-current portion of long-term USD senior notes	**13,865,055**	12,682,188
Non-current portion of long-term USD convertible bonds (a)	**19,742,317**	17,701,190
	33,607,372	30,383,378
Included in current liabilities:		
Undue interests accrued for senior notes (Note 30)	**65,892**	60,320
	33,673,264	30,443,698

The notes payable and undue interests were repayable as follows:

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Within 1 year (Note 30)	**65,892**	60,320
Between 2 and 5 years	**24,946,785**	22,459,694
More than 5 years	**8,660,587**	7,923,684
	33,673,264	30,443,698

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

As of December 31, 2022, the fair value of the senior notes was RMB11,493 million (2021: RMB12,023 million). The respective fair values were assessed based on the quoted market price of these senior notes at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES PAYABLE *(Continued)*

(a) On April 27, 2021, the Company completed the issuance of US$1,483,600,000 zero coupon convertible bonds ("**Series 1 Bonds**") due on April 27, 2027 and US$1,500,000,000 zero coupon convertible bonds ("**Series 2 Bonds**") due on April 27, 2028 (together, the "**Bonds**") to third party professional investors.

The Bonds will, at the option of the Bondholders, be convertible on or after June 7, 2021 up to the 10 days prior to the Maturity date (both days inclusive) into Class B ordinary shares of the Company at a conversion price of HK$431.24 per Class B share, subject to adjustments. The Company will, at the option of the Bondholders, redeem all or some only of such Bondholder's Series 1 Bonds on April 27, 2025 at 100.37% of the principal amount of the Series 1 Bonds, and redeem all or some only of such Bondholder's Series 2 Bonds on April 27, 2026 at 101.28% of the principal amount of the Series 2 Bonds.

The Company may at any time redeem in whole, but not in part, the Bonds at the early redemption amount, if, immediately prior to the date the notice of redemption is given, 90% or more in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled. The early redemption amount is determined by the principal amount with a gross yield of negative 0.182% and positive 0.255% per annum calculated on a semi-annual basis for the Series 1 Bonds and the Series 2 Bonds, respectively. The Company will redeem each bond at 100.00% of its principal amount in respect of the Series 1 Bonds and 101.80% of its principal amount in respect of the Series 2 Bonds, on April 27, 2027 and April 27, 2028, respectively, if not previously redeemed, converted or purchased and cancelled.

32 NOTES PAYABLE *(Continued)*

The liability and equity components of the Bonds are presented as follows:

	RMB'000
The face value of the Bonds when initially issued	19,370,725
Issuance premium	105,953
Gross proceeds	19,476,678
Less: issuance costs	(184,635)
Net proceeds	19,292,043
Less: equity component for the conversion right (Note 27)	(1,513,938)
Liability component on initial recognition	17,778,105
Interest expenses	250,659
Currency translation differences	(327,574)
Liability component as of December 31, 2021	17,701,190
Liability component as of January 1, 2022	17,701,190
Interest expenses	392,057
Currency translation differences	1,649,070
Liability component as of December 31, 2022	19,742,317

Subsequent to the initial recognition, the liability component of the Bonds was carried at amortised cost using the effective interest rate method. The effective interest rates of the liability component of the Series 1 Bonds and the Series 2 Bonds were 1.94% per annum and 2.26% per annum, respectively.

As of December 31, 2022, the total fair value of the Bonds was RMB17,794 million (2021: RMB17,969 million). Such fair values were assessed based on the quoted market price of these Bonds at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 SHARE-BASED PAYMENTS

As of December 31, 2022, there was a total of 559,213,688 ordinary shares remaining available for grant under the Post-IPO Share Option Scheme and Post-IPO Share Award Scheme for awards of share options and RSUs of the Company.

Share options

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

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

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

	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of January 1, 2022	**37,988,298**	**36.51**
Forfeited during the year	**(452,234)**	**144.17**
Exercised during the year	**(10,468,483)**	**27.21**
Outstanding as of December 31, 2022	**27,067,581**	**38.31**
Vested and exercisable as of December 31, 2022	**17,276,823**	**30.94**
Outstanding as of January 1, 2021	50,893,174	33.95
Forfeited during the year	(811,629)	31.28
Exercised during the year	(12,093,247)	26.11
Outstanding as of December 31, 2021	37,988,298	36.51
Vested and exercisable as of December 31, 2021	21,788,214	25.34

The weighted average remaining contractual life of outstanding share options was 4.7 years as of December 31, 2022 (2021: 5.4 years). The weighted average price of the shares at the time these share options were exercised was HKD177.25 per share (equivalent to approximately RMB152.51 per share) during the year ended December 31, 2022 (2021: HKD280.10 per share (equivalent to approximately RMB232.80 per share)).

33 SHARE-BASED PAYMENTS *(Continued)*

Fair value of share options

There was no share option granted during the years ended December 31, 2022 and 2021.

RSUs

The Company also grants RSUs to employees, consultants, and Directors under the Post-IPO Share Award Scheme. The RSUs awarded vest in tranches from the grant date over a certain service period. Once the vesting conditions of RSUs are met, ordinary shares are considered duly and validly issued to the holder, and free of restrictions on transfer.

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

	Number of RSUs	Weighted average grant date fair value per RSU (HKD)
Outstanding as of January 1, 2022	**125,367,125**	**173.66**
Granted during the year	**62,511,074**	**185.06**
Vested during the year	**(43,295,263)**	**136.55**
Forfeited during the year	**(12,380,617)**	**201.46**
Outstanding as of December 31, 2022	**132,202,319**	**188.60**
Outstanding as of January 1, 2021	126,541,129	90.18
Granted during the year	51,236,349	289.67
Vested during the year	(42,912,697)	66.03
Forfeited during the year	(9,497,656)	173.61
Outstanding as of December 31, 2021	125,367,125	173.66

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 SHARE-BASED PAYMENTS *(Continued)*

The total share-based compensation expenses recognised in the consolidated income statement were RMB8.7 billion and RMB5.2 billion for the years ended December 31, 2022 and 2021, respectively. The following table sets forth a breakdown of the share-based compensation expenses by awards types:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Share options	**50,559**	107,105
RSUs	**8,692,403**	5,086,340
Others	**–**	415
	8,742,962	5,193,860

34 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2022 and 2021.

35 CAPITAL COMMITMENTS

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**2,782,808**	4,064,519
1 – 2 years	**1,573,132**	235,352
2 – 5 years	**969,314**	–
More than 5 years	**47,239**	–
	5,372,493	4,299,871

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
Purchase of property, plant and equipment	**3,856,421**	3,062,527
Investments	**1,516,072**	1,237,344
	5,372,493	4,299,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from/(used in) operations

	Note	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Loss before income tax		**(6,755,517)**	(23,566,477)
Adjusted for:			
Depreciation and amortisation	15,16	**9,730,314**	8,928,019
Net provisions for impairment losses on financial and contract assets		**468,620**	259,953
Share-based compensation expenses	33	**8,742,962**	5,193,860
Net gains arising from disposals or deemed disposals of subsidiaries and investees		**(224,358)**	(702,808)
Net provisions for impairment of non-financial assets	15,16	**103,328**	51,649
Share of profits of investments accounted for using the equity method	12	**(35,848)**	(145,620)
Fair value changes of other financial investments at fair value through profit or loss	19	**1,013,057**	(815,747)
Fair value changes and interest income related to treasury investments and others		**(1,740,091)**	(1,332,183)
Finance costs	10	**1,583,185**	1,080,698
Foreign exchange (gains)/losses, net	9	**(354,271)**	34,977
Net (gains)/losses on sales of non-current assets		**(59,191)**	48,250
Changes of working capital:			
Increase in restricted cash		**(1,327,089)**	(501,723)
Increase in trade receivables		**(377,239)**	(746,561)
Increase in prepayments, deposits and other assets		**(150,117)**	(3,163,467)
Increase in inventories		**(481,072)**	(40,579)
Increase in trade payables		**2,357,980**	3,345,963
Increase in payables to merchants		**1,483,065**	1,534,661
(Decrease)/increase in advances from transacting users		**(87,112)**	862,902
(Decrease)/increase in deferred revenues		**(425,105)**	258,899
(Decrease)/increase in other payables and accruals		**(1,784,268)**	5,708,088
Decrease in other non-current liabilities		**(22,527)**	(49,481)
Cash generated from/(used in) operations		**11,658,706**	(3,756,727)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(b) Major non-cash transactions

Other than the acquisition of right-of-use assets described in Note 15, the share-based payments described in Note 33, there were no other material non-cash transactions during the year ended December 31, 2022 and 2021.

(c) Reconciliation of liabilities related to cash flows generated from financing activities

	Borrowings RMB'000	Notes payable and undue interests RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Lease liabilities RMB'000
Liabilities as of January 1, 2022	23,784,867	30,443,698	–	4,750,785
Cash flows	(7,654,899)	(366,455)	480,448	(2,619,636)
Additions	–	–	–	3,151,048
Deductions	–	–	(393,304)	(179,089)
Finance costs	550,668	766,464	–	266,053
Currency translation differences	2,430,476	2,829,557	12,856	(20)
Liabilities as of December 31, 2022	19,111,112	33,673,264	100,000	5,369,141

36 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(c) Reconciliation of liabilities related to cash flows generated from financing activities *(Continued)*

	Borrowings RMB'000	Notes payable and undue interests RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Lease liabilities RMB'000
Liabilities as of January 1, 2021	8,352,472	13,028,073	114,600	2,737,855
Cash flows	15,768,196	19,288,691	791,400	(2,191,299)
Additions	–	–	–	4,219,704
Deductions	–	–	(906,000)	(208,867)
Equity component of convertible bonds	–	(1,513,938)	–	–
Derecognition of issuance costs	–	3,352	–	–
Finance costs	–	261,749	–	193,420
Currency translation differences	(335,801)	(624,229)	–	(28)
Liabilities as of December 31, 2021	23,784,867	30,443,698	–	4,750,785

37 RELATED PARTY TRANSACTIONS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Names of and the Group's relationship with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the years and/or as of years then ended.

Name of related parties	Relationship
Tencent Group	One of the Company's shareholders (Prior to November 16, 2022, Note (i))
AsiaSea Co., Ltd.	Associate of the Group
Dalian Tongda Enterprise Management Co., Ltd.	Associate of the Group
Fujian Piaofutong Information Technology Co., Ltd.	Associate of the Group
Guangxi Dossen Hotel Management Group Co., Ltd.	Associate of the Group
Jilin Yillion Bank Co., Ltd.	Associate of the Group
Tianjin Maoyan and its subsidiaries	Associate of the Group

Note (i): The Group had transactions and balances with affiliates of Tencent Holdings Limited ("**Tencent Group**"), which is considered as a related party of the Group. On November 16, 2022, the Board of Tencent Group has resolved to declare a special interim dividend in the form of a distribution in specie of approximately 958,121,562 Class B ordinary shares of Meituan. Following the declaration of the distribution and the resignation of Tencent's board representative with immediate effect, Tencent Group lost significant influence and was not considered as the Group's related party.

(b) Significant transactions with related parties

	Year ended December 31, 2022 RMB'000	2021 RMB'000
(i) Sales of services		
Associates of the Group	**521,001**	944,715
One of the Company's shareholders	**20,481**	1,497
	541,482	946,212
(ii) Purchases of goods and services		
One of the Company's shareholders	**2,847,498**	2,928,280
Associates of the Group	**1,256,223**	1,246,871
	4,103,721	4,175,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

37 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

		As of December 31,	
		2022	2021
		RMB'000	RMB'000
(i)	Due from related parties		
	Associates of the Group	**107,519**	274,950
	One of the Company's shareholders	**–**	241,542
		107,519	516,492
(ii)	Due to related parties		
	Associates of the Group	**304,501**	232,626
	One of the Company's shareholders	**–**	47,994
		304,501	280,620

(d) Key management compensation

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Fees	**1,500**	1,500
Basic salaries and bonuses	**74,142**	22,854
Pension costs and other employee benefits	**967**	864
Share-based compensation expenses	**329,760**	349,173
	406,369	374,391

38 CONTINGENCIES

The Group did not have any material contingent liabilities as of December 31, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 FINANCIAL POSITION AND OTHER RESERVES MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	Note	As of December 31, 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**82,365,622**	73,669,047
Intangible assets		**307**	281
Long-term treasury investments		**4,358,598**	2,579,982
Prepayments, deposits and other assets		**117,257,527**	88,004,538
		203,982,054	164,253,848
Current assets			
Short-term treasury investments		**23,313,996**	52,074,868
Prepayments, deposits and other assets		**612,755**	963,662
Cash and cash equivalents		**1,189,591**	15,699,578
		25,116,342	68,738,108
Total assets		**229,098,396**	232,991,956
EQUITY			
Share capital	26	**415**	411
Share premium	26	**316,743,344**	311,221,237
Shares held for shares award scheme	26	**–**	–
Other reserves	39(b)	**8,025,737**	(4,425,554)
Accumulated losses		**(135,613,683)**	(128,993,290)
Total equity		**189,155,813**	177,802,804
LIABILITIES			
Non-current liabilities			
Borrowings		**–**	10,148,520
Notes payable	32	**33,607,372**	30,383,378
		33,607,372	40,531,898
Current liabilities			
Borrowings		**–**	6,348,284
Other payables and accruals		**6,335,211**	8,308,970
		6,335,211	14,657,254
Total liabilities		**39,942,583**	55,189,152
Total equity and liabilities		**229,098,396**	232,991,956

The statement of financial position of the Company was approved by the Board of Directors on March 24, 2023 and was signed on its behalf.

Wang Xing
Director

Mu Rongjun
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

39 FINANCIAL POSITION AND OTHER RESERVES MOVEMENT OF THE COMPANY *(Continued)*

(b) Other reserves movement of the Company

	Capital reserve RMB'000	Share-based payments RMB'000	Currency translation differences RMB'000	Conversion option of convertible bonds RMB'000	Others RMB'000	Total RMB'000
As of January 1, 2022	20	6,835,306	(12,781,857)	1,513,938	7,039	(4,425,554)
Other comprehensive income, net of tax						
Currency translation differences	–	–	9,298,645	–	–	9,298,645
Fair value changes of and net provisions for impairment losses on financial assets	–	–	–	–	(334,186)	(334,186)
Total other comprehensive income	–	–	9,298,645	–	(334,186)	8,964,459
Transaction with owners in their capacity as owners						
Equity-settled share-based payments	–	8,742,962	–	–	–	8,742,962
Exercise of share options and RSUs vesting	–	(5,256,130)	–	–	–	(5,256,130)
Total transaction with owners in their capacity as owners	–	3,486,832	–	–	–	3,486,832
As of December 31, 2022	20	10,322,138	(3,483,212)	1,513,938	(327,147)	8,025,737
As of January 1, 2021	20	4,150,291	(10,555,695)	–	(171)	(6,405,555)
Other comprehensive loss, net of tax						
Currency translation differences	–	–	(2,226,162)	–	–	(2,226,162)
Fair value changes of and net provisions for impairment losses on financial assets	–	–	–	–	7,210	7,210
Total other comprehensive loss	–	–	(2,226,162)	–	7,210	(2,218,952)
Transaction with owners in their capacity as owners						
Equity-settled share-based payments	–	5,193,445	–	–	–	5,193,445
Exercise of share options and RSUs vesting	–	(2,508,430)	–	–	–	(2,508,430)
Issuance of convertible bonds (equity component)	–	–	–	1,513,938	–	1,513,938
Total transaction with owners in their capacity as owners	–	2,685,015	–	1,513,938	–	4,198,953
As of December 31, 2021	20	6,835,306	(12,781,857)	1,513,938	7,039	(4,425,554)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 SUBSEQUENT EVENTS

There were no material subsequent events during the period from January 1, 2023 to the approval date of these consolidated financial statements by the Board on March 24, 2023.

41 RECLASSIFICATION OF COMPARATIVE FIGURES

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

DEFINITIONS

"AGM"	the forthcoming annual general meeting of the Company to be held on June 30, 2023
"Articles" or "Articles of Association"	the articles of association of the Company adopted on August 30, 2018 with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Auditor"	the external auditor of the Company
"Beijing Kuxun Interaction"	Beijing Kuxun Interaction Technology Co., Ltd. (北京酷訊互動科技有限公司), a limited liability company incorporated under the laws of the PRC on March 29, 2006 and our Consolidated Affiliated Entity
"Beijing Kuxun Technology"	Beijing Kuxun Technology Co., Ltd. (北京酷訊科技有限公司), a limited liability company incorporated under the laws of the PRC on April 27, 2006 and our indirect wholly-owned subsidiary
"Beijing Mobike"	Beijing Mobike Technology Co., Ltd. (北京摩拜科技有限公司), a limited liability company incorporated under the laws of the PRC on January 27, 2015 and our Consolidated Affiliated Entity
"Beijing Sankuai Cloud Computing"	Beijing Sankuai Cloud Computing Co., Ltd. (北京三快雲計算有限公司), a limited liability company incorporated under the laws of the PRC on June 17, 2015 and our Consolidated Affiliated Entity
"Beijing Sankuai Online"	Beijing Sankuai Online Technology Co., Ltd. (北京三快在線科技有限公司), a limited liability company incorporated under the laws of the PRC on May 6, 2011 and our indirect wholly-owned subsidiary
"Beijing Sankuai Technology"	Beijing Sankuai Technology Co., Ltd. (北京三快科技有限公司), a limited liability company incorporated under the laws of the PRC on April 10, 2007 and our Consolidated Affiliated Entity
"Beijing Xinmeida"	Beijing Xinmeida Technology Co., Ltd. (北京新美大科技有限公司), a limited liability company incorporated under the laws of the PRC on March 17, 2016 and our Consolidated Affiliated Entity

DEFINITIONS

"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	corporate governance code as set out in Appendix 14 to the Listing Rules
"Charmway Enterprises"	Charmway Enterprises Company Limited, a limited liability company incorporated under the laws of the BVI, which is indirectly wholly owned by a trust established by Mu Rongjun (as settlor) for the benefit of Mu Rongjun and his family
"Chengdu Meigengmei"	Chengdu Meigengmei Information Technology Co., Ltd. (成都美更美信息技術有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2014 and our Consolidated Affiliated Entity
"Class A Shares"	class A ordinary shares of the share capital of the Company with a par value of US$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company's general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
"Class B Shares"	class B ordinary shares of the share capital of the Company with a par value of US$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company's general meeting
"Companies Ordinance" or "Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company"	Meituan (美团) (formerly known as Meituan Dianping), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 25, 2015, or Meituan (美团) and its subsidiaries and Consolidated Affiliated Entities, as the case may be
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely, the Onshore Holdcos and their respective subsidiaries (each a "Consolidated Affiliated Entity")

DEFINITIONS

"Contractual Arrangement(s)"	the series of contractual arrangements entered into between WFOEs, Onshore Holdcos and Registered Shareholders (as applicable)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Wang Xing and the directly and indirectly held companies through which Wang Xing has an interest in the Company
"Crown Holdings"	Crown Holdings Asia Limited, a limited liability company incorporated under the laws of the BVI, which is indirectly wholly owned by a trust established by Wang Xing (as settlor) for the benefit of Wang Xing and his family
"Director(s)"	the director(s) of the Company
"Group", "our Group" or "the Group", "we", "us", or "our"	the Company and its subsidiaries and Consolidated Affiliated Entities from time to time
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	person(s) or company(ies) which, to the best of the Directors' knowledge having made all due and careful enquiries, is/are not connected (within the meaning of the Listing Rules) with the Company
"IPO"	initial public offering
"Kevin Sunny"	Kevin Sunny Holding Limited, a limited liability company incorporated under the laws of the BVI on May 22, 2018, which is wholly owned by Wang Huiwen
"Listing"	the listing of the Class B Shares on the Main Board of the Stock Exchange
"Listing Date"	September 20, 2018

DEFINITIONS

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with the GEM of the Stock Exchange
"Meituan Finance"	Beijing Meituan Finance Technology Co., Ltd. (北京美团金融科技有限公司), a limited liability company incorporated under the laws of the PRC on August 9, 2017 and our Consolidated Affiliated Entity
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company adopted on August 30, 2018 with effect from the Listing Date, as amended from time to time
"Mobike"	mobike Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 2, 2015 and our direct wholly owned subsidiary
"Mobike Beijing"	Mobike (Beijing) Information Technology Co., Ltd. (摩拜(北京)信息技術有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2016 and our indirect wholly owned subsidiary
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Onshore Holdcos," each an "Onshore Holdco"	Tianjin Antechu Technology, Shanghai Lutuan, Beijing Kuxun Interaction, Shanghai Sankuai Technology, Meituan Finance, Beijing Sankuai Cloud Computing, Beijing Xinmeida, Chengdu Meigengmei, Beijing Mobike, Beijing Sankuai Technology and Shanghai Hantao
"Post-IPO Share Award Scheme"	the post-IPO scheme award scheme adopted by the Company on August 30, 2018
"Post-IPO Share Option Scheme"	the post-IPO share option scheme adopted by the Company on August 30, 2018
"PRC"	the People's Republic of China
"PRC Legal Advisor"	Han Kun Law Offices, legal advisor to the Company as to PRC laws
"Pre-IPO ESOP"	the pre-IPO employee stock incentive scheme adopted by the Company dated October 6, 2015, as amended from time to time

DEFINITIONS

"Prospectus"	prospectus of the Company dated September 7, 2018
"Registered Shareholders"	the registered shareholders of the Onshore Holdcos
"Reporting Period"	the year ended December 31, 2022
"Reserved Matters"	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company's auditors, and (iv) the voluntary liquidation or winding-up of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"RSU(s)"	restricted share unit(s)
"Sankuai Cloud Online"	Beijing Sankuai Internet Technology Co., Ltd. (北京三快網絡科技有限公司) (formerly known as Sankuai Cloud Online Technology Co., Ltd. (三快雲在線(北京)科技有限公司)), a limited liability company incorporated under the laws of the PRC on November 3, 2015 and our indirect wholly-owned subsidiary
"Shanghai Hanhai"	Hanhai Information Technology (Shanghai) Co., Ltd. (漢海信息技術(上海)有限公司), a limited liability company incorporated under the laws of the PRC on March 16, 2006 and our indirect wholly-owned subsidiary
"Shanghai Hantao"	Shanghai Hantao Information Consultancy Co., Ltd. (上海漢濤信息諮詢有限公司), a limited liability company incorporated under the laws of the PRC on September 23, 2003 and our Consolidated Affiliated Entity
"Shanghai Juzuo"	Shanghai Juzuo Technology Co., Ltd. (上海駒座科技有限公司), a limited liability company incorporated under the laws of the PRC on April 12, 2018 and our indirect wholly-owned subsidiary
"Shanghai Lutuan"	Shanghai Lutuan Technology Co., Ltd. (上海路團科技有限公司), a limited liability company incorporated under the laws of the PRC on January 12, 2017 and our Consolidated Affiliated Entity
"Shanghai Sankuai Technology"	Shanghai Sankuai Technology Co., Ltd. (上海三快科技有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2012 and our Consolidated Affiliated Entity

DEFINITIONS

"Share(s)"	the Class A Shares and Class B Shares in the share capital of the Company, as the context so requires
"Shareholder(s)"	holder(s) of the Share(s)
"Shared Patience"	Shared Patience Inc., a limited liability company incorporated under the laws of the BVI, which is wholly owned by Wang Xing
"Shared Vision"	Shared Vision Investment Limited, a limited liability company incorporated under the laws of the BVI, which is wholly owned by Mu Rongjun
"Shenzhen Sankuai Online"	Shenzhen Sankuai Online Technology Co., Ltd. (深圳三快在線科技有限公司), a limited liability company incorporated under the laws of the PRC on November 18, 2015 and our indirect wholly-owned subsidiary
"Shenzhen Tencent Computer"	Shenzhen Tencent Computer Systems Co., Ltd. (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly owned subsidiary of Tencent
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Tencent"	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
"Tianjin Antechu Technology"	Tianjin Antechu Technology Co., Ltd. (天津安特廚科技有限公司), a limited liability company incorporated under the laws of the PRC on January 17, 2018 and our Consolidated Affiliated Entity
"Tianjin Hanbo"	Tianjin Hanbo Information Technology Co., Ltd. (天津漢博信息技術有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2014 and our indirect wholly-owned subsidiary
"Tianjin Wanlong"	Tianjin Wanlong Technology Co., Ltd. (天津萬龍科技有限公司), a limited liability company incorporated under the laws of the PRC on August 18, 2015 and our indirect wholly-owned subsidiary
"Tianjin Xiaoyi Technology"	Tianjin Xiaoyi Technology Co., Ltd. (天津小蟻科技有限公司), a limited liability company incorporated under the laws of the PRC on February 13, 2018 and our indirect wholly-owned subsidiary

DEFINITIONS

"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"VIE(s)"	variable interest entity(ies)
"weighted voting right"	has the meaning ascribed to it in the Listing Rules
"WFOEs", each a "WFOE"	Tianjin Xiaoyi Technology, Shanghai Juzuo, Beijing Kuxun Technology, Tianjin Wanlong, Beijing Sankuai Online, Shenzhen Sankuai Online, Shanghai Hanhai, Sankuai Cloud Online, Mobike Beijing and Tianjin Hanbo
"WVR Beneficiaries"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Wang Xing, Mu Rongjun and Wang Huiwen, being the holders of the Class A Shares, entitling each to weighted voting rights
"WVR Structure"	has the meaning ascribed to it in the Listing Rules
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY

"Active Merchant"	a merchant that meets any of the following conditions in a given period: (i) completed at least one transaction on our platform, (ii) purchased any online marketing services from us, (iii) processed offline payment at least once through our integrated payment systems, or (iv) generated any order through our ERP systems
"DAU"	daily active user
"Gross Transaction Volume" or "GTV"	the value of paid transactions of products and services on our platform by consumers, regardless of whether the consumers are subsequently refunded. This includes delivery charges and VAT, but excludes any payment-only transactions, such as QR code scan payments and point-of-sale payments
"monetization rate"	the revenues for the year/period divided by the Gross Transaction Volume for the year/period
"SKU"	the stock keeping unit
"Transacting User"	a user account that paid for transactions of products and services on our platform in a given period, regardless of whether the account is subsequently refunded
"transaction"	the number of transactions is generally recognized based on the number of payments made; whereas (i) with respect to our instore business, one transaction is recognized if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognized if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air and train ticketing businesses, one transaction is recognized if a user purchases multiple tickets with a single payment; (iv) with respect to our bike-sharing business, if a user uses monthly pass, then one transaction is recognized only when the user purchases or claims the monthly pass, and subsequent rides are not recognized as transactions; if a user does not use monthly pass, then one transaction is recognized for every ride