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美团点评

Meituan Dianping

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)
(Stock Code: 3690)

ANNOUNCEMENT OF THE RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

The Board of Directors (the “**Board**”) of Meituan Dianping 美团点评 (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company for the three and six months ended June 30, 2020. These interim results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting.”

In this announcement, “we”, “us”, and “our” refer to the Company.

KEY HIGHLIGHTS

Financial Summary

	Unaudited Three Months Ended		June 30, 2019	As a percentage of revenues	Year-over- year change
	June 30, 2020	Amount			
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB in thousands, except for percentages)</i>				
Revenues	24,721,837	100.0%	22,703,137	100.0%	8.9%
Operating profit	2,174,645	8.8%	1,112,578	4.9%	95.5%
Profit for the period	2,210,181	8.9%	875,828	3.9%	152.4%
Non-IFRS Measures:					
Adjusted EBITDA	2,610,255	10.6%	2,330,809	10.3%	12.0%
Adjusted net profit	2,718,478	11.0%	1,493,546	6.6%	82.0%

	Unaudited Six Months Ended				
	June 30, 2020		June 30, 2019		Year-over- year change
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
<i>(RMB in thousands, except for percentages)</i>					
Revenues	41,475,724	100.0%	41,876,649	100.0%	(1.0%)
Operating profit/(loss)	459,115	1.1%	(191,064)	(0.5%)	NA
Profit/(loss) for the period	630,903	1.5%	(557,502)	(1.3%)	NA
Non-IFRS Measures:					
Adjusted EBITDA	2,651,566	6.4%	2,789,683	6.7%	(5.0%)
Adjusted net profit	2,502,130	6.0%	444,417	1.1%	463.0%

Financial Information by Segment

	Unaudited Three Months Ended		
	June 30, 2020	June 30, 2019	Year-over- year change
	<i>(RMB in thousands, except for percentages)</i>		
Revenues:			
Food delivery	14,544,095	12,844,720	13.2%
In-store, hotel & travel	4,543,982	5,245,308	(13.4%)
New initiatives and others	5,633,760	4,613,109	22.1%
Total revenues	<u>24,721,837</u>	<u>22,703,137</u>	8.9%
Operating profit/(loss):			
Food delivery	1,253,421	756,347	65.7%
In-store, hotel & travel	1,891,563	2,147,499	(11.9%)
New initiatives and others	(1,459,539)	(1,645,735)	(11.3%)
Unallocated items ¹	489,200	(145,533)	NA
Total operating profit	<u>2,174,645</u>	<u>1,112,578</u>	95.5%

¹ Unallocated items include (i) share-based compensation, (ii) amortization of intangible assets resulting from acquisitions, (iii) fair value changes on other financial investments at fair value through profit or loss, (iv) other gains, net, and (v) impairment provision and restructuring expense for Mobike restructuring plan.

	Unaudited		
	Six Months Ended		
	June 30,	June 30,	Year-over-
	2020	2019	year change
	<i>(RMB in thousands, except for percentages)</i>		
Revenues:			
Food delivery	24,034,518	23,550,523	2.1%
In-store, hotel & travel	7,638,960	9,737,410	(21.6%)
New initiatives and others	9,802,246	8,588,716	14.1%
Total revenues	<u>41,475,724</u>	<u>41,876,649</u>	(1.0%)
Operating profit/(loss):			
Food delivery	1,182,540	602,144	96.4%
In-store, hotel & travel	2,571,742	3,740,377	(31.2%)
New initiatives and others	(2,823,256)	(4,228,859)	(33.2%)
Unallocated items	(471,911)	(304,726)	54.9%
Total operating profit/(loss)	<u>459,115</u>	<u>(191,064)</u>	NA

Operating Metrics

	Twelve Months Ended		
	June 30,	June 30,	Year-over-
	2020	2019	year change
	<i>(in millions, except for percentages)</i>		
Number of Transacting Users	457.3	422.6	8.2%
Number of Active Merchants	6.3	5.9	6.7%
	<i>(units, except for percentages)</i>		
Average number of transactions per annual Transacting User	25.7	25.5	0.5%
	Three Months Ended		
	June 30,	June 30,	Year-over-
	2020	2019	year change
	<i>(in millions, except for percentages)</i>		
Gross Transaction Volume of food delivery	108,827.1	93,082.3	16.9%
Number of food delivery transactions	2,228.9	2,085.1	6.9%
Number of domestic hotel room nights	78.0	94.0	(17.0%)

BUSINESS REVIEW AND OUTLOOK

Company Financial Highlights

Although the COVID-19 pandemic continued to impact the daily operations of our merchants, including restaurants, hotels and other local services merchants, our businesses demonstrated resilience and recovered at a gradual pace. Total revenues for the second quarter of 2020 increased by 8.9% year-over-year to RMB24.7 billion from RMB22.7 billion for the same period of 2019. Operating profit improved to RMB2.2 billion in the second quarter of 2020, increasing by 95.5% year-over-year, while operating margin increased from 4.9% to 8.8%. Both adjusted EBITDA and adjusted net profit experienced positive year-over-year growth and improved to RMB2.6 billion and RMB2.7 billion, respectively. Our operating cash flow also turned to positive RMB5.6 billion for the second quarter of 2020 from negative RMB5.0 billion for the first quarter of 2020. We had cash and cash equivalents of RMB13.9 billion and short-term investments of RMB44.5 billion as of June 30, 2020, compared to the balances of RMB14.1 billion and RMB42.4 billion, respectively, as of March 31, 2020.

Company Business Highlights

Food delivery

For the second quarter of 2020, GTV of our food delivery business increased by 16.9% year-over-year to RMB108.8 billion. The daily average number of food delivery transactions increased by 6.9% year-over-year to 24.5 million. The average value per order of our food delivery business increased by 9.4% year-over-year. Monetization Rate² of our food delivery business decreased to 13.4% for the second quarter of 2020 from 13.8% for the same period of 2019. As a result, revenues of food delivery business increased by 13.2% year-over-year to RMB14.5 billion for the second quarter of 2020. Operating profit from our food delivery business turned to positive RMB1.3 billion for the second quarter of 2020, compared to operating loss of RMB70.9 million for the first quarter of 2020, while operating margin turned to positive 8.6% from negative 0.7%. Moreover, operating profit from the food delivery business increased by 65.7% year-over-year, while operating margin improved by 2.7 percentage points year-over-year.

Despite the pandemic's continuous impact, we further demonstrated the unique competitiveness of our business model and validated the essential needs for food delivery services from both consumers and merchants. Especially, our immediate response to the COVID-19 new cases that occurred in Beijing showcased our increasing experience in managing the recurring outbreaks of COVID-19. To ensure the safety of our delivery riders and consumers, among other measures, we immediately organized nucleic acid testing for all of our delivery riders in Beijing, expanded the use of "intelligent lockers" in the city, and further upgraded our contactless delivery process. For merchants, we rolled out targeted support and commission rebate programs to help them better survive the COVID-19 new cases that occurred in Beijing. We also created a portal for merchants to upload their green COVID-19 testing results so as to provide consumers with extra food safety assurance.

² Monetization Rate equals the revenues for the period divided by the Gross Transaction Volume for the period.

In the second quarter of 2020, we continued to launch various promotional campaigns to stimulate the recovery of our food delivery business. For example, we rolled out the “June 18 Food Delivery Festival” and engaged around 4,000 reputable restaurants and brands to provide consumers with a wide variety of attractive promotions in the period. We were also spot-on in identifying consumers’ behavioral changes and used targeted promotions to actively increase the consumption of afternoon tea and late-night snacks. Moreover, we have further stepped up the portion of subsidies allocated to targeted repeat consumers through our effective food delivery membership program. As a result, the order volume of our food delivery business experienced positive year-over-year growth in the second quarter of 2020, with the daily average number of food delivery transactions increasing by 6.9% year-over-year to 24.5 million.

On the merchant side, a further recovery in merchant operation and consumer consumption led to the strong marketing demand from merchants in the second quarter of 2020. Meanwhile, the pandemic has accelerated the restaurants’ online migration, increasing the mix of high-quality merchants on our platform during the period. Notably, the number of newly-onboard branded merchants increased by more than 110% in the second quarter as compared to the prior year period. Their increased demand for online traffic has accelerated their adoption of our online marketing services. As a result, online marketing services revenues experienced rapid growth in the second quarter of 2020, increased by 62.2% year-over-year.

On the delivery front, we further improved our delivery efficiency in the second quarter of 2020, attributable to the refinement of our proprietary dispatching system algorithms and the continuous improvement of the operation of our delivery network. In addition, the sufficient delivery capacity and the favorable weather condition across the country enabled us to reduce the amount of seasonal incentives paid to delivery riders on a quarter-over-quarter basis. These factors together have allowed us to better control delivery cost per order on both a quarter-over-quarter and a year-over-year basis. Meantime, the importance of our on-demand delivery network as a critical component of society’s broader logistical infrastructure has been substantially elevated post the outbreak of COVID-19. Our delivery network helped to ensure continuity in people’s daily lives during the pandemic and served as a stabilizing force for society by creating abundant employment opportunities. We will continue to explore diversified delivery models and invest in the cutting-edge technology for autonomous delivery to further improve our operating efficiency and enlarge our capacity while striving to serve the needs of our merchants and consumers in more service categories.

In-store, hotel & travel

Revenues from our in-store, hotel & travel businesses decreased by 13.4% year-over-year to RMB4.5 billion in the second quarter of 2020. Operating profit of our in-store, hotel & travel businesses decreased by 11.9% year-over-year, but increased by 178.1% quarter-over-quarter to RMB1.9 billion in the second quarter of 2020, while operating margin increased by 0.7 percentage points year-over-year and by 19.6 percentage points quarter-over-quarter to 41.6%.

During the second quarter of 2020, the in-store segment continued to recover at a slower pace than the food delivery business as consumers needed more time to rebuild confidence in certain discretionary in-store consumptions. In order to stimulate local services consumption and restore local economies, we cooperated with local governments to launch the “Safe Consumption Festival” in more than 60 cities and issued e-Vouchers during this quarter. These e-Vouchers were mainly for in-store dining initially, but we have since expanded them to cover hotels, shopping, and other local services. We also launched a series of promotional campaigns in the second quarter of 2020, including Labour Day promotions, Dragon Boat Festival promotions, and June 18 Marketing Festival promotions. These events covered all the aspects of our in-store services and helped to accelerate our collaborations with popular merchant brands to further improve our merchant base and offer consumers a wider variety of choices in turn. As a result, the recovery of transaction volume and merchants’ marketing demand of our in-store segment was on the right track. The year-over-year decline in commission revenues and online marketing services revenues were significantly narrowed from the first quarter of 2020. Moreover, we published a new 2020 version of our reputable “Must List Series.” This series has evolved into a comprehensive and professional local services guide over the years. During the COVID-19 pandemic, we noticed that consumers became more price-sensitive and conscious of hygiene factors, which further compounded the ability of our trusted Must List Series to attract user traffic and guide consumers to quality merchants. It also created a positive feedback loop for merchants to upgrade their services and better meet the emerging needs of consumers.

Our hotel business continued to be significantly affected by the pandemic, with the number of domestic room nights consumed on our platform in the second quarter of 2020 decreasing by 17% year-over-year. Nevertheless, we kept increasing our partnership with more hotels via our “Safe Stay” program to provide travelers with accommodation options that are more conducive to their desires and the quarantine environment. Meantime, in light of the increasing demand for intra-city and short-distance local travel, we also launched the “Safe Travel” program to help expedite the recovery of the industry. More notably, the pace of development for our high-star hotel partnerships also picked up, and we established a significant increase in relationships with these types of hotels in the second quarter of 2020 by increasing their non-lodging revenues through our “hotel + x” program. As a result, the contribution from high-end hotels further increased year-over-year.

New initiatives and others

Revenues from the new initiatives and others segment increased by 22.1% year-over-year to RMB5.6 billion in the second quarter of 2020. On a sequential basis, operating loss from the new initiatives and others segment expanded by 7.0% to RMB1.5 billion for the second quarter of 2020 from RMB1.4 billion for the first quarter of 2020, while operating margin improved by 6.8 percentage points to negative 25.9% for the second quarter of 2020 from negative 32.7% for the first quarter of 2020. Operating loss from the new initiatives and others segment narrowed by 11.3% on a year-over-year basis, while operating margin improved by 9.8 percentage points year-over-year.

The COVID-19 pandemic was a catalyst for several of our new initiatives, and we saw a noticeable shift in the online shopping behavior on the consumer side and accelerated online penetration of traditional offline service businesses during the pandemic. During the second quarter of 2020, we maintained the rapid expansion of our key businesses, especially grocery retail business. Our marketplace model “Meituan Instashopping” achieved stellar revenue growth during the second quarter of 2020 on a year-over-year basis as we expanded our product variety and SKU categories to significantly grow our merchant base. “Caidaquan,” our relatively nascent fresh produce-focused brand under “Meituan Instashopping,” enabled more than 300 traditional wet markets to sell online and operate digitally. Our self-operated model, “Meituan Grocery,” not only significantly expanded its coverage in key cities, such as Beijing and Shenzhen, but also began operations in new cities, such as Guangzhou, in July 2020. During the second quarter of 2020, we also established a new business division for community group purchase services, rolling out the “Meituan Selected” service brand accordingly in Jinan, Shandong in July 2020, which offers carefully selected fresh produce and daily necessities at attractive prices for local consumers living in different communities. Group leaders are appointed by us in each community to promote our discounted grocery products via WeChat groups. Group members can place orders through our WeChat Mini Program and pick up their products the next day at self-pickup points located in nearby convenience stores.

For bike-sharing services, we replaced around 1.5 million old bikes with new “Meituan Bikes” during the second quarter of 2020. The average turnover rate per bike improved incrementally and the unit economics also improved. Additionally, we launched more than 290,000 electric bikes. During this period, the average turnover rate per electric bike achieved better unit economics as compared to traditional bikes and demonstrated a clear path to independent profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

Second Quarter of 2020 Compared to Second Quarter of 2019

The following table sets forth the comparative figures for the second quarter of 2020 and 2019:

	Unaudited	
	Three Months Ended	
	June 30,	June 30,
	2020	2019
	<i>(RMB in thousands)</i>	
Revenues		
Commission	15,911,364	15,429,574
Online marketing services	4,323,011	3,632,236
Interest revenue	201,730	201,883
Other services and sales	4,285,732	3,439,444
	24,721,837	22,703,137
Cost of revenues	(16,146,879)	(14,762,502)
Gross profit	8,574,958	7,940,635
Selling and marketing expenses	(4,172,332)	(4,149,110)
Research and development expenses	(2,376,737)	(2,032,330)
General and administrative expenses	(1,158,092)	(1,038,298)
Net provision for impairment losses on financial assets	(45,676)	(138,711)
Fair value changes on other financial investments at fair value through profit or loss	346,689	(323,651)
Other gains, net	1,005,835	854,043
Operating profit	2,174,645	1,112,578
Finance income	40,352	21,541
Finance costs	(60,731)	(50,115)
Share of gains of investments accounted for using equity method	42,881	17,848
Profit before income tax	2,197,147	1,101,852
Income tax credits/(expenses)	13,034	(226,024)
Profit for the period	2,210,181	875,828
Non-IFRS measures:		
Adjusted EBITDA	2,610,255	2,330,809
Adjusted net profit	2,718,478	1,493,546

Revenues

Our revenues increased by 8.9% to RMB24.7 billion for the second quarter of 2020 from RMB22.7 billion for the same period of 2019. The increase was mainly driven by the solid revenue growth of our food delivery business and robust revenue growth of our new initiatives.

The following table sets forth our revenues by segment and type in absolute amount for the second quarter of 2020 and 2019:

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

	Unaudited Three Months Ended June 30, 2019			Total
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
Revenues				
Commission	11,711,634	2,742,867	975,073	15,429,574
Online marketing services	1,107,070	2,478,018	47,148	3,632,236
Other services and sales (including interest revenue)	26,016	24,423	3,590,888	3,641,327
Total	12,844,720	5,245,308	4,613,109	22,703,137

Our revenues from the food delivery segment increased by 13.2% to RMB14.5 billion for the second quarter of 2020 from RMB12.8 billion for the same period of 2019. Commission revenues increased by 8.6% to RMB12.7 billion as a result of: (i) the increase in Gross Transaction Volume, which was driven by the increase in both order volume by 6.9% and average order value by 9.4% year-over-year as more Transacting Users ordered with higher ticket size or from branded restaurants, and (ii) the decrease in Monetization Rate by 0.4 percentage points to 13.4% due to increased subsidies to Transacting Users and higher portion of orders from branded merchants on our platform. Online marketing services revenues increased by 62.2% to RMB1.8 billion, primarily due to the increase in the number of online marketing Active Merchants and the revenue contributed by each merchant.

Our revenues from the in-store, hotel & travel segment decreased by 13.4% to RMB4.5 billion for the second quarter of 2020 from RMB5.2 billion for the same period of 2019, mainly due to the decrease in commission revenues as the in-store dining, hotel and travel sectors had not fully recovered from the epidemic yet.

Our revenues from the new initiatives and others segment increased by 22.1% to RMB5.6 billion for the second quarter of 2020 from RMB4.6 billion for the same period of 2019, mainly due to the increase in revenues from the B2B food distribution services, micro loan business, Meituan Grocery and Meituan Instashopping as we expanded these businesses to satisfy customers' growing needs, partially offset by the decrease in revenues from car-hailing services as customers commuted less under the crowd control policies and the decrease in revenues from the restaurant management systems.

Costs and Expenses

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

	Unaudited		Three Months Ended		Year-over-year change
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	
	As a percentage of revenues	As a percentage of revenues	Amount	Amount	
	Amount	Amount	Amount	Amount	
<i>(RMB in thousands, except for percentages)</i>					
Costs and Expenses:					
Cost of revenues	16,146,879	65.3%	14,762,502	65.0%	9.4%
Selling and marketing expenses	4,172,332	16.9%	4,149,110	18.3%	0.6%
Research and development expenses	2,376,737	9.6%	2,032,330	9.0%	16.9%
General and administrative expenses	1,158,092	4.7%	1,038,298	4.6%	11.5%
Net provision for impairment losses on financial assets	45,676	0.2%	138,711	0.6%	(67.1%)

Cost of Revenues

Our cost of revenues increased by 9.4% to RMB16.1 billion for the second quarter of 2020 from RMB14.8 billion for the same period of 2019, and remained flat as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to the increase of RMB727.3 million in food delivery rider costs, and the increase of RMB572.4 million in cost of goods sold due to the growth of our food delivery business, Meituan Instashopping, Meituan Grocery and B2B food distribution services, partially offset by the decrease of RMB347.1 million in car-hailing driver-related costs.

Selling and Marketing Expenses

Our selling and marketing expenses was RMB4.2 billion for the second quarter of 2020 and RMB4.1 billion for the same period of 2019, and decreased by 1.4 percentage points to 16.9% from 18.3% as a percentage of revenues on a year-over-year basis. The RMB109.8 million increase in promotion and advertising expenses, mainly driven by our enlarged promotional campaigns, was partially offset by the RMB92.8 million decrease in Transacting User incentives across various businesses. We adjusted our marketing strategy in response to the pandemic so that our selling and marketing expenses as a percentage of revenues decreased.

Research and Development Expenses

Our research and development expenses increased to RMB2.4 billion for the second quarter of 2020 from RMB2.0 billion for the same period of 2019, and increased by 0.6 percentage points to 9.6% from 9.0% as a percentage of revenues. The increase in both amount and as a percentage of revenues were mainly driven by the increase in the number of employees.

General and Administrative Expenses

Our general and administrative expenses increased to RMB1.2 billion for the second quarter of 2020 from RMB1.0 billion for the same period of 2019, and remained flat as a percentage of revenues on a year-over-year basis. The increase was mainly driven by the increase in the number of employees.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets decreased to RMB45.7 million for the second quarter of 2020 from RMB138.7 million for the same period of 2019, and decreased by 0.4 percentage points to 0.2% as a percentage of revenues year-over-year, primarily due to improved micro loan assets.

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

Our gain in fair value change on other financial investments at fair value through profit or loss was RMB346.7 million for the second quarter of 2020, compared to loss of RMB323.7 million for the second quarter of 2019. This was primarily due to the fair value change in one of our financial investments in listed entities.

Other Gains, Net

Our other gains, net for the second quarter of 2020 increased by RMB151.8 million to RMB1.0 billion compared to the same period of 2019, primarily due to the increase in tax return and preference, partially offset by the decline in gains from treasury investments, disposal and remeasurement of equity investments.

Operating Profit

As a result of the foregoing, our operating profit and operating margin for the second quarter of 2020 was RMB2.2 billion and 8.8% respectively, compared to RMB1.1 billion and 4.9% for the same period of 2019.

Operating profit and margin by segment are set forth in the table below.

	Unaudited Three Months Ended				Year-over- year change
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	
	As a percentage of revenues	As a percentage of revenues	Amount	Amount	
	Amount	Amount	Amount	Amount	
<i>(RMB in thousands, except for percentages)</i>					
Food delivery	1,253,421	8.6%	756,347	5.9%	65.7%
In-store, hotel & travel	1,891,563	41.6%	2,147,499	40.9%	(11.9%)
New initiatives and others	(1,459,539)	(25.9%)	(1,645,735)	(35.7%)	(11.3%)
Unallocated items	489,200	NA	(145,533)	NA	NA
Total operating profit	2,174,645	8.8%	1,112,578	4.9%	95.5%

Our operating profit from the food delivery segment increased to RMB1.3 billion for the second quarter of 2020 from RMB756.3 million for the same period of 2019, mainly driven by growth in revenues and gross profit. Our operating margin for this segment increased by 2.7 percentage points to 8.6% from 5.9% on a year-over-year basis mainly attributable to: (i) higher average order value as a result of the higher portion of orders from branded restaurants, slightly offset by the higher subsidies given to Transacting Users to drive order volume growth and (ii) the change in revenues mix as online marketing revenues contributed a higher percentage of revenues.

Our operating profit from the in-store, hotel & travel segment decreased by 11.9% to RMB1.9 billion for the second quarter of 2020 from RMB2.1 billion for the same period of 2019, mainly due to the decline in both commissions and online marketing revenues, partially offset by reduced Transacting User incentives and promotion and advertising expenses. Our operating margin for this segment increased by 0.7 percentage points to 41.6% from 40.9% on a year-over-year basis, mainly due to the decrease in Transacting User incentives resulting from the reduction of subsidies, partially offset by the increase in research and development expenses.

Our operating loss from the new initiatives and others segment narrowed to negative RMB1.5 billion for the second quarter of 2020 from negative RMB1.6 billion for the same period of 2019, primarily attributable to: (i) the decrease in operating loss from our bike-sharing services as Meituan Bikes had a longer life span and lower maintenance costs than the old bikes, and (ii) the increase in operating profit from the growth of micro loan business, partially offset by the increase in operating loss of our grocery retail business as a result of business expansion and the increase in loss from some other new initiatives. Our operating margin for this segment narrowed to negative 25.9% from negative 35.7% on a year-over-year basis, primarily attributable to the improved operating margin from bike-sharing services, restaurant management system, and micro loan business.

Profit before Income Tax

Primarily as a result of the foregoing, our profit before income tax for the second quarter of 2020 was RMB2.2 billion, compared to a profit of RMB1.1 billion for the same period of 2019.

Income Tax Credits/(Expenses)

We had income tax credits of RMB13.0 million for the second quarter of 2020, compared to income tax expenses of RMB226.0 million for the same period of 2019, primarily due to the decrease in profits from certain entities on a year-over-year basis.

Profit for the Period

As a result of the foregoing, we had a profit of RMB2.2 billion for the second quarter of 2020, compared to a profit of RMB875.8 million for the same period of 2019.

Second Quarter of 2020 Compared to First Quarter of 2020

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

	Unaudited	
	Three Months Ended	
	June 30,	March 31,
	2020	2020
	<i>(RMB in thousands)</i>	
Revenues		
Commission	15,911,364	10,800,101
Online marketing services	4,323,011	2,864,409
Interest revenue	201,730	212,145
Other services and sales	4,285,732	2,877,232
	24,721,837	16,753,887
Cost of revenues	(16,146,879)	(11,557,421)
Gross profit	8,574,958	5,196,466
Selling and marketing expenses	(4,172,332)	(3,199,439)
Research and development expenses	(2,376,737)	(2,296,458)
General and administrative expenses	(1,158,092)	(1,069,741)
Net provision for impairment losses on financial assets	(45,676)	(237,542)
Fair value changes on other financial investments at fair value through profit or loss	346,689	(508,261)
Other gains, net	1,005,835	399,445
Operating profit/(loss)	2,174,645	(1,715,530)
Finance income	40,352	57,930
Finance costs	(60,731)	(48,044)
Share of gains of investments accounted for using equity method	42,881	11,128
Profit/(loss) before income tax	2,197,147	(1,694,516)
Income tax credits	13,034	115,238
Profit/(loss) for the period	2,210,181	(1,579,278)
Non-IFRS measures:		
Adjusted EBITDA	2,610,255	41,311
Adjusted net profit/(loss)	2,718,478	(216,348)

Revenues

Our revenues increased by 47.6% to RMB24.7 billion for the second quarter of 2020 from RMB16.8 billion for the first quarter of 2020. All major revenue streams started to recover along with the gradual recovery from the COVID-19 pandemic.

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

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

	Unaudited Three Months Ended March 31, 2020			Total
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
Revenues				
Commission	8,563,624	1,196,998	1,039,479	10,800,101
Online marketing services	919,519	1,886,831	58,059	2,864,409
Other services and sales (including interest revenue)	7,280	11,149	3,070,948	3,089,377
Total	9,490,423	3,094,978	4,168,486	16,753,887

Our revenues from the food delivery segment increased by 53.3% to RMB14.5 billion for the second quarter of 2020 from RMB9.5 billion for the first quarter of 2020. Commission revenues increased by 48.5% to RMB12.7 billion on a quarter-over-quarter basis, as a result of: (i) the increase in the number of food delivery transactions by 62.2%, driven by the increase in both food delivery user base and their purchase frequency, and (ii) the decrease in average order value by 6.1% caused by the resumption of small- and medium-sized merchants operations. Online marketing services revenues increased by 95.3% to RMB1.8 billion, primarily due to the increase in the number of online marketing Active Merchants and average revenue contributed by each merchant, driven by the increasing demand from merchants for online traffic during the recovery of the food delivery business.

Our revenues from the in-store, hotel & travel segment increased by 46.8% to RMB4.5 billion for the second quarter of 2020 from RMB3.1 billion for the first quarter of 2020. Commission revenues increased by 74.8% to RMB2.1 billion, driven by the recovery in consumers' in-store consumption. Online marketing service revenues increased by 29.6% to RMB2.4 billion due to increased spending on advertising by merchants as the pandemic became under control.

Our revenues from the new initiatives and others segment increased by 35.2% to RMB5.6 billion for the second quarter of 2020 from RMB4.2 billion for the first quarter of 2020, primarily due to the increase in the revenues from the B2B food distribution services, bike-sharing services, restaurant management systems, and car-hailing services, all of which were adversely affected by the pandemic in the first quarter of 2020, but gradually recovered in the second quarter of 2020.

Costs and Expenses

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

	Unaudited		Unaudited		Quarter-over-quarter change
	Three Months Ended		Three Months Ended		
	June 30, 2020		March 31, 2020		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
<i>(RMB in thousands, except for percentages)</i>					
Costs and Expenses:					
Cost of revenues	16,146,879	65.3%	11,557,421	69.0%	39.7%
Selling and marketing expenses	4,172,332	16.9%	3,199,439	19.1%	30.4%
Research and development expenses	2,376,737	9.6%	2,296,458	13.7%	3.5%
General and administrative expenses	1,158,092	4.7%	1,069,741	6.4%	8.3%
Net provision for impairment losses on financial assets	45,676	0.2%	237,542	1.4%	(80.8%)

Cost of Revenues

Our cost of revenues increased by 39.7% to RMB16.1 billion for the second quarter of 2020 from RMB11.6 billion for the first quarter of 2020, but decreased to 65.3% from 69.0% as a percentage of revenues. The increase in amount was mainly attributable to: (i) the RMB3.0 billion increase in food delivery rider costs, which was driven by higher transaction volume, (ii) the RMB884.8 million increase in cost of goods sold, mainly driven by growth of B2B food distribution services, and (iii) the RMB184.7 million increase in payment processing costs. The decrease as a percentage of revenues on a quarter-over-quarter basis mainly resulted from: (i) improved gross margin of the food delivery business, driven by lower delivery cost per order, mainly due to lower delivery rider incentives under favorable weather conditions and the comparatively more sufficient capacity, (ii) improved gross margin of the in-store, hotel and travel segment due to improved operating leverage during the recovery of the pandemic, and (iii) lower gross margin due to revenues mix change of our new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB4.2 billion for the second quarter of 2020 from RMB3.2 billion for the first quarter of 2020, but decreased by 2.2 percentage points to 16.9% from 19.1% as a percentage of revenues on a quarter-over-quarter basis. The increase in amount was primarily attributable to: (i) the RMB693.1 million increase in Transacting User incentives across all major businesses as they gradually recovered from the pandemic, and (ii) the RMB164.1 million increase in promotion and advertising expenses due to enlarged promotional campaigns. The decrease as a percentage of revenues was mainly driven by the improved marketing efficiency and operating leverage.

Research and Development Expenses

Our research and development expenses increased to RMB2.4 billion for the second quarter of 2020 from RMB2.3 billion for the first quarter of 2020, but decreased by 4.1 percentage points to 9.6% from 13.7% as a percentage of revenues. The increase in amount was primarily attributable to increased employee benefits expenses driven by the increase in number of employees, but partially offset by the decrease in welfare expenses under the welfare relief policy. The decrease as a percentage of revenues was driven by the improved operating leverage.

General and Administrative Expenses

Our general and administrative expenses increased to RMB1.2 billion for the second quarter of 2020 from RMB1.1 billion for the first quarter of 2020, but decreased by 1.7 percentage points to 4.7% from 6.4% as a percentage of revenues. The increase in amount was primarily attributable to increased employee benefits expenses, driven by the increase in share-based compensation and the number of employees. The decrease as a percentage of revenues was driven by the improved operating leverage.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets decreased to RMB45.7 million for the second quarter of 2020 from RMB237.5 million for the first quarter of 2020, and decreased by 1.2 percentage points to 0.2% as a percentage of revenues, primarily due to the relief from impairment risk as the society gradually recovered from the pandemic.

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

Our gain in fair value change on other financial investments at fair value through profit or loss was RMB346.7 million for the second quarter of 2020, compared to loss of RMB508.3 million for the first quarter of 2020. This was primarily due to the fair value change in one of our financial investments in listed entities.

Other Gains, Net

Our other gains, net for the second quarter of 2020 increased by RMB606.4 million to RMB1.0 billion compared to the first quarter of 2020, mainly attributable to increased tax preference received in the second quarter of 2020 and a one-off donation to a special support fund that we made in the first quarter of 2020.

Operating Profit/(Loss)

As a result of the foregoing, our operating profit for the second quarter of 2020 was RMB2.2 billion, compared to an operating loss of RMB1.7 billion for the first quarter of 2020.

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

	Unaudited		Three Months Ended		Quarter-over-quarter change
	June 30, 2020	March 31, 2020	June 30, 2020	March 31, 2020	
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB in thousands, except for percentages)</i>				
Food delivery	1,253,421	8.6%	(70,881)	(0.7%)	NA
In-store, hotel & travel	1,891,563	41.6%	680,179	22.0%	178.1%
New initiatives and others	(1,459,539)	(25.9%)	(1,363,717)	(32.7%)	7.0%
Unallocated items	489,200	NA	(961,111)	NA	NA
Total operating profit/(loss)	2,174,645	8.8%	(1,715,530)	(10.2%)	NA

Our operating profit from the food delivery segment turned to positive RMB1.3 billion for the second quarter of 2020 from negative RMB70.9 million for the first quarter of 2020, mainly attributable to increase in gross profit, partially offset by the increase in Transacting User incentives. The operating margin for this segment turned to positive 8.6% from negative 0.7% on a quarter-over-quarter basis, mainly due to: (i) lower delivery cost as a result of higher delivery efficiency due to larger scale orders, less delivery rider incentives under favorable weather conditions and more sufficient delivery capacity, partially offset by lower average order value as more small- and medium-sized merchants resumed operations and (ii) revenue mix change as online marketing revenues contributed a higher percentage of revenues.

Our operating profit from the in-store, hotel & travel segment increased by 178.1% to RMB1.9 billion for the second quarter of 2020 from RMB680.2 million for the first quarter of 2020, mainly due to the increase in gross profit as a result of partial recovery from the pandemic. The operating margin for this segment increase by 19.6 percentage points to 41.6% on a quarter-over-quarter basis, mainly due to the improved marketing efficiency and operating leverage.

Our operating loss from the new initiatives and others segment expanded by 7.0% to negative RMB1.5 billion for the second quarter of 2020 from negative RMB1.4 billion for the first quarter of 2020, primarily attributable to: (i) the increase in operating loss from Meituan Grocery, driven by the decrease in average order value and increase in business volume, (ii) the increase in operating loss from Meituan Instashopping and car-hailing services due to increased Transacting User incentives, partially offset by (iii) the decrease in operating loss from restaurant management systems, as well as (iv) the increase in operating profit from micro loan business. The operating margin for this segment narrowed by 6.8 percentage points to negative 25.9% from negative 32.7% on a quarter-over-quarter basis, mainly due to: (i) the decrease in provision for impairment losses on financial assets, and (ii) the improved operating leverage.

Profit/(Loss) before Income Tax

Primarily as a result of the foregoing, our profit before income tax for the second quarter of 2020 was RMB2.2 billion, compared to a loss of RMB1.7 billion for the first quarter of 2020.

Income Tax Credits

We had income tax credits of RMB13.0 million for the second quarter of 2020, compared to income tax credits of RMB115.2 million for the first quarter of 2020, primarily due to the increase in profits from certain entities on a quarter-over-quarter basis.

Profit/(Loss) for the Period

As a result of the foregoing, we had a profit of RMB2.2 billion for the second quarter of 2020, compared to a loss of RMB1.6 billion for the first quarter of 2020.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

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

The following tables set forth the reconciliations of our non-IFRS financial measures for the three months ended June 30, 2020 and 2019, the three months ended March 31, 2020, and the six months ended June 30, 2020 and 2019 to the nearest measures prepared in accordance with IFRS.

**Unaudited
Three Months Ended**

	June 30, 2020	June 30, 2019	March 31, 2020
	<i>(RMB in thousands)</i>		
Profit/(loss) for the period	2,210,181	875,828	(1,579,278)
Adjusted for:			
Share-based compensation expenses	705,420	515,501	691,676
Fair value (gains)/losses on investments ⁽¹⁾	(347,393)	278,157	508,261
(Gains) on disposal of investments and subsidiaries	–	(160,884)	–
(Gains) from the remeasurement of investments	–	(176,880)	–
Amortization of intangible assets resulting from acquisitions	160,857	165,548	160,857
Impairment and expense reversal for Mobike restructuring plan	(2,953)	(5,124)	(238)
Tax effects on non-IFRS adjustments	(7,634)	1,400	2,374
Adjusted net profit/(loss)	2,718,478	1,493,546	(216,348)
Adjusted for:			
Income tax (credits)/expenses, except for tax effects on non-IFRS adjustments	(5,400)	224,624	(117,612)
Share of (gains) of investments accounted for using equity method	(42,881)	(17,848)	(11,128)
Finance income	(40,352)	(21,541)	(57,930)
Finance costs	60,731	50,115	48,044
Other (gains) except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	(1,005,131)	(470,785)	(399,445)
Amortization of software and others	93,615	131,093	131,636
Depreciation on property, plant and equipment	831,195	941,605	664,094
Adjusted EBITDA	2,610,255	2,330,809	41,311

(1) Represents gains or losses from fair value changes on investments, including (i) fair value changes on other financial investments at fair value through profit or loss, and (ii) dilution gain.

	Unaudited	
	Six Months Ended	
	June 30,	June 30,
	2020	2019
	<i>(RMB in thousands)</i>	
Profit/(loss) for the period	630,903	(557,502)
Adjusted for:		
Share-based compensation expenses	1,397,096	953,569
Fair value losses on investments	160,868	66,999
(Gains) on disposal of investments and subsidiaries	–	(159,394)
(Gains) from the remeasurement of investments	–	(176,880)
Amortization of intangible assets resulting from acquisitions	321,714	331,096
Impairment and expense reversal for Mobike restructuring plan	(3,191)	(5,124)
Tax effects on non-IFRS adjustments	(5,260)	(8,347)
Adjusted net profit	2,502,130	444,417
Adjusted for:		
Income tax (credits)/expenses, except for tax effects on non-IFRS adjustments	(123,012)	377,690
Share of (gains) of investments accounted for using equity method	(54,009)	(25,378)
Finance income	(98,282)	(74,463)
Finance costs	108,775	96,936
Other (gains) except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	(1,404,576)	(705,540)
Amortization of software and others	225,251	262,004
Depreciation on property, plant and equipment	1,495,289	2,414,017
Adjusted EBITDA	2,651,566	2,789,683

Liquidity and Capital Resources

We had historically funded our cash requirements principally from capital contribution from shareholders and financing through issuance and sale of equity securities. We had cash and cash equivalents of RMB13.9 billion and short-term treasury investments of RMB44.5 billion as of June 30, 2020.

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

	Unaudited Three Months Ended June 30, 2020	Unaudited Six Months Ended June 30, 2020
	<i>(RMB in thousands)</i>	
Net cash generated from operating activities	5,584,234	545,338
Net cash (used in)/generated from investing activities	(4,934,774)	798,777
Net cash used in financing activities	(843,129)	(913,004)
Net (decrease)/increase in cash and cash equivalents	(193,669)	431,111
Cash and cash equivalents at the beginning of the period	14,137,828	13,396,185
Exchange (loss)/gain on cash and cash equivalents	(9,103)	107,760
Cash and cash equivalents at the end of the period	13,935,056	13,935,056

Net Cash Generated from Operating Activities

Net cash generated from operating activities represents the cash generated from our operations minus the income tax paid. Cash generated from our operations primarily consisted of our profit for the second quarter of 2020, as adjusted by non-cash items and changes in working capital.

For the second quarter of 2020, net cash generated from operating activities was RMB5.6 billion, which was primarily attributable to our profit before income tax of RMB2.2 billion, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortization of RMB1.1 billion, and share-based payments of RMB705.4 million, and (ii) changes in working capital, which primarily comprised an increase in other payables and accruals of RMB2.8 billion, an increase in payables to merchants of RMB2.3 billion and an increase in trade payables of RMB1.3 billion, partially offset by an increase in restricted cash of RMB2.7 billion and an increase in prepayments, deposits and other assets of RMB1.8 billion.

Net Cash (Used in)/Generated from Investing Activities

For the second quarter of 2020, net cash used in investing activities was RMB4.9 billion, which was mainly attributable to purchase of treasury investments of RMB57.1 billion, purchase of property, plant and equipment of RMB2.3 billion, and acquisition of equity investments of RMB556.9 million, partially offset by proceeds from disposals of treasury investments of RMB54.1 billion, gains received from treasury investments of RMB483.3 million, and proceeds from disposals of equity investments of RMB295.1 million.

Net Cash Used in Financing Activities

For the second quarter of 2020, net cash used in financing activities was RMB843.1 million, which was mainly attributable to repayments of borrowings of RMB1.8 billion and lease payments of RMB216.9 million, partially offset by proceeds from borrowings of RMB1.1 billion.

Gearing ratio

As of June 30, 2020, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was approximately 3.5%.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
		2020	2019	2020	2019
<i>(RMB in thousands)</i>					
Revenues	3				
Commission	3	15,911,364	15,429,574	26,711,465	28,594,292
Online marketing services	3	4,323,011	3,632,236	7,187,420	6,493,037
Interest revenue	3	201,730	201,883	413,875	360,473
Other services and sales	3	4,285,732	3,439,444	7,162,964	6,428,847
		<u>24,721,837</u>	<u>22,703,137</u>	<u>41,475,724</u>	<u>41,876,649</u>
Cost of revenues	3&4	(16,146,879)	(14,762,502)	(27,704,300)	(28,866,674)
Gross profit		<u>8,574,958</u>	<u>7,940,635</u>	<u>13,771,424</u>	<u>13,009,975</u>
Selling and marketing expenses	4	(4,172,332)	(4,149,110)	(7,371,771)	(7,855,222)
Research and development expenses	4	(2,376,737)	(2,032,330)	(4,673,195)	(4,068,430)
General and administrative expenses	4	(1,158,092)	(1,038,298)	(2,227,833)	(2,050,511)
Net provision for impairment losses on financial assets		(45,676)	(138,711)	(283,218)	(201,691)
Fair value changes on other financial investments at fair value through profit or loss		346,689	(323,651)	(161,572)	(158,359)
Other gains, net	5	<u>1,005,835</u>	<u>854,043</u>	<u>1,405,280</u>	<u>1,133,174</u>
Operating profit/(loss)		<u>2,174,645</u>	<u>1,112,578</u>	<u>459,115</u>	<u>(191,064)</u>
Finance income		40,352	21,541	98,282	74,463
Finance costs		(60,731)	(50,115)	(108,775)	(96,936)
Share of gains of investments accounted for using equity method		<u>42,881</u>	<u>17,848</u>	<u>54,009</u>	<u>25,378</u>
Profit/(loss) before income tax		<u>2,197,147</u>	<u>1,101,852</u>	<u>502,631</u>	<u>(188,159)</u>
Income tax credits/(expenses)	7	<u>13,034</u>	<u>(226,024)</u>	<u>128,272</u>	<u>(369,343)</u>
Profit/(loss) for the period		<u><u>2,210,181</u></u>	<u><u>875,828</u></u>	<u><u>630,903</u></u>	<u><u>(557,502)</u></u>
Profit/(loss) for the period attributable to:					
Equity holders of the Company		<u>2,209,747</u>	<u>877,415</u>	<u>631,411</u>	<u>(554,362)</u>
Non-controlling interests		<u>434</u>	<u>(1,587)</u>	<u>(508)</u>	<u>(3,140)</u>
		<u><u>2,210,181</u></u>	<u><u>875,828</u></u>	<u><u>630,903</u></u>	<u><u>(557,502)</u></u>
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Earnings/(loss) per share for profit/(loss) for the period attributable to the equity holders of the Company					
Basic earnings/(loss) per share	6	<u>0.38</u>	<u>0.15</u>	<u>0.11</u>	<u>(0.10)</u>
Diluted earnings/(loss) per share	6	<u>0.37</u>	<u>0.15</u>	<u>0.11</u>	<u>(0.10)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

Note	Unaudited Three months ended June 30,		Unaudited Six months ended June 30,	
	2020	2019	2020	2019
	<i>(RMB in thousands)</i>			
Other comprehensive (loss)/income:				
<i>Items that may be reclassified to profit or loss</i>				
Share of other comprehensive income of investments accounted for using the equity method	-	-	2,711	-
<i>Items that may not be reclassified to profit or loss</i>				
Currency translation differences	<u>(32,261)</u>	<u>884,942</u>	<u>647,370</u>	<u>47,893</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(32,261)</u>	<u>884,942</u>	<u>650,081</u>	<u>47,893</u>
Total comprehensive income/(loss) for the period	<u>2,177,920</u>	<u>1,760,770</u>	<u>1,280,984</u>	<u>(509,609)</u>
Total comprehensive income/(loss) for the period is attributable to:				
Equity holders of the Company	<u>2,177,486</u>	<u>1,762,357</u>	<u>1,281,492</u>	<u>(506,395)</u>
Non-controlling interests	<u>434</u>	<u>(1,587)</u>	<u>(508)</u>	<u>(3,214)</u>
	<u>2,177,920</u>	<u>1,760,770</u>	<u>1,280,984</u>	<u>(509,609)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As of June 30, 2020	Audited As of December 31, 2019
Note			
<i>(RMB in thousands)</i>			
ASSETS			
Non-current assets			
Property, plant and equipment	8	7,445,625	5,376,217
Intangible assets		32,162,824	32,699,575
Deferred tax assets		518,210	590,054
Long-term treasury investments		1,625,332	200,275
Other financial investments at fair value through profit or loss		8,246,687	7,166,122
Investments accounted for using the equity method		2,351,252	2,283,590
Prepayments, deposits and other assets		2,050,728	1,562,037
		54,400,658	49,877,870
Current assets			
Inventories		284,411	275,227
Trade receivables	9	859,730	676,762
Prepayments, deposits and other assets		11,071,779	9,591,157
Short-term treasury investments		44,522,946	49,435,599
Restricted cash		8,509,705	8,760,115
Cash and cash equivalents		13,935,056	13,396,185
		79,183,627	82,135,045
Total assets		133,584,285	132,012,915
EQUITY			
Share capital		393	389
Share premium		262,367,560	260,359,929
Other reserves		(4,136,865)	(4,447,252)
Accumulated losses		(163,169,210)	(163,800,621)
Equity attributable to equity holders of the Company		95,061,878	92,112,445
Non-controlling interests		(58,559)	(58,051)
Total equity		95,003,319	92,054,394

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

	Note	Unaudited As of June 30, 2020	Audited As of December 31, 2019
<i>(RMB in thousands)</i>			
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		1,220,070	1,388,469
Financial liabilities at fair value through profit or loss		40,950	–
Deferred revenues	10	280,541	389,028
Borrowings		–	466,676
Lease liabilities		1,021,196	992,233
Other non-current liabilities		152,390	129,552
		<u>2,715,147</u>	<u>3,365,958</u>
Current liabilities			
Trade payables	11	7,332,014	6,766,253
Payables to merchants		6,366,529	7,495,262
Advances from transacting users		3,181,943	3,855,559
Deposits from transacting users		2,353,451	2,491,947
Other payables and accruals		8,492,212	7,237,412
Borrowings		3,323,694	3,552,587
Deferred revenues	10	4,171,251	4,567,171
Lease liabilities		628,976	534,566
Income tax liabilities		15,749	91,806
		<u>35,865,819</u>	<u>36,592,563</u>
Total liabilities		<u>38,580,966</u>	<u>39,958,521</u>
Total equity and liabilities		<u>133,584,285</u>	<u>132,012,915</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended June 30,	
	2020	2019
	<i>(RMB in thousands)</i>	
Net cash flows generated from/(used in) operating activities	545,338	(149,777)
Net cash flows generated from/(used in) investing activities	798,777	(7,785,824)
Net cash flows (used in)/generated from financing activities	(913,004)	1,299,230
Net increase/(decrease) in cash and cash equivalents	431,111	(6,636,371)
Cash and cash equivalents at the beginning of the period	13,396,185	17,043,692
Exchange gain/(loss) on cash and cash equivalents	107,760	(198,448)
Cash and cash equivalents included in the assets classified as held for sale	-	28,377
Cash and cash equivalents at the end of the period	<u>13,935,056</u>	<u>10,237,250</u>

NOTES TO THE FINANCIAL INFORMATION

1 General information, basis of preparation and presentation

The Company was incorporated in the Cayman Islands on September 25, 2015 as an exempted company with limited liability. The Company's Class B Shares have been listed on the Main Board of the Hong Kong Stock Exchange since September 20, 2018 (the "Listing").

The Company provides platform which uses technology to connect consumers and merchants and offer diversified daily services, including food delivery, in-store dining, hotel and travel booking and other services.

The financial information of our Company has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting, issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards, as set out in the 2019 annual report of our Company dated March 30, 2020 (the "2019 Financial Statements"). The Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

2 Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the financial information are consistent with those followed in the preparation of the 2019 Financial Statements.

(a) *New and amended standards adopted by the Company*

The Company has adopted the following new and amended standards which are relevant to the Company's operations and are mandatory for the financial year beginning on or after January 1, 2020:

IAS 1 and IAS 8 (Amendment)	Definition of material
IFRS 3 (Amendment)	Definition of a business
IFRS 9, IAS 39 and IFRS 17 (Amendment)	Interest rate benchmark reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

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

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

The following new and amended standards have been issued, but are not effective for the Company's financial year beginning on 1 January 2020 and have not been early adopted by the Company's management:

		Effective for annual periods beginning on or after
IAS 28 and IFRS 10 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	A date to be determined by the IASB
IFRS 17	Insurance Contracts	1 January 2021
IAS 1 (Amendment)	Classification of liabilities as current or non-current	1 January 2022

The Company will apply the above new and amended standards when they become effective. These new standards, interpretations and amendments to standards are not expected to have a significant effect on the condensed consolidated financial information of the Company.

3 Segment information

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

	Unaudited Three Months Ended		Year-over- year change
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
	<i>(RMB in thousands, except for percentages)</i>		
Revenues:			
Food delivery	14,544,095	12,844,720	13.2%
In-store, hotel & travel	4,543,982	5,245,308	(13.4%)
New initiatives and others	5,633,760	4,613,109	22.1%
Total revenues	<u>24,721,837</u>	<u>22,703,137</u>	8.9%
Operating profit/(loss):			
Food delivery	1,253,421	756,347	65.7%
In-store, hotel & travel	1,891,563	2,147,499	(11.9%)
New initiatives and others	(1,459,539)	(1,645,735)	(11.3%)
Unallocated items	489,200	(145,533)	NA
Total operating profit	<u>2,174,645</u>	<u>1,112,578</u>	95.5%
	Unaudited Six Months Ended		Year-over- year change
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
	<i>(RMB in thousands, except for percentages)</i>		
Revenues:			
Food delivery	24,034,518	23,550,523	2.1%
In-store, hotel & travel	7,638,960	9,737,410	(21.6%)
New initiatives and others	9,802,246	8,588,716	14.1%
Total revenues	<u>41,475,724</u>	<u>41,876,649</u>	(1.0%)
Operating profit/(loss):			
Food delivery	1,182,540	602,144	96.4%
In-store, hotel & travel	2,571,742	3,740,377	(31.2%)
New initiatives and others	(2,823,256)	(4,228,859)	(33.2%)
Unallocated items	(471,911)	(304,726)	54.9%
Total operating profit/(loss)	<u>459,115</u>	<u>(191,064)</u>	NA

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	<i>(RMB in thousands)</i>			
Food delivery rider costs	9,999,910	9,272,573	16,987,123	17,745,098
Employee benefits expenses	4,727,039	4,290,180	9,329,956	8,495,505
Cost of goods sold	2,180,669	1,608,258	3,476,551	3,062,898
Transacting User incentives	1,624,809	1,717,616	2,556,502	3,008,945
Other outsourcing labor costs	883,716	701,732	1,745,562	1,344,524
Depreciation of property, plant and equipment	831,195	941,605	1,495,289	2,414,017
Payment processing costs	549,073	493,368	913,469	937,859
Promotion and advertising	526,958	417,141	889,770	744,177
Car-hailing driver related costs	434,549	781,673	727,002	1,558,401
Amortization of intangible assets	254,472	296,641	546,965	593,100
Bandwidth and server custody fees	217,614	186,970	419,766	362,929
Online traffic costs	98,480	102,916	168,932	172,657
Rental, facility and utilities	73,410	69,393	127,517	139,906
Professional fees	59,210	32,126	105,212	97,331
Auditor's remuneration				
–Audit and audit-related services	9,956	5,994	27,903	22,782
–Non-audit services	234	1,299	460	1,299
Tax surcharge expenses	9,744	57,453	34,677	100,407
Others (Note i)	1,373,002	1,005,302	2,424,443	2,039,002
Total cost of revenues, selling and marketing expenses, research and development expenses and general and administrative expenses	23,854,040	21,982,240	41,977,099	42,840,837

(i) Others mainly comprise message and verification fees, transportation fees, travelling and entertainment expenses and bike maintenance and relocation fees.

5 Other gains, net

	Unaudited		Unaudited	
	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	<i>(RMB in thousands)</i>			
Subsidies and tax preference	659,110	28,215	960,875	65,320
Fair value changes of treasury investments measured at fair value through profit or loss	208,476	170,667	360,611	282,534
Interest income from treasury investments measured at amortized cost	114,272	244,853	283,451	454,973
Dilution gain	704	45,494	704	91,360
Foreign exchange (losses)/gains, net	(384)	14,921	13,190	(84,053)
Gains from the remeasurement of investments	–	176,880	–	176,880
Gains from the disposal of investments	–	160,884	–	160,884
Loss from the disposal of subsidiaries	–	–	–	(1,490)
Donation	(193)	(1,885)	(200,199)	(2,380)
Others	23,850	14,014	(13,352)	(10,854)
	1,005,835	854,043	1,405,280	1,133,174

6 Earnings/(loss) per share

- (a) Basic earnings/(loss) per share for the three months and six months ended June 30, 2020 and 2019 were calculated by dividing the profit/(loss) attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the reporting period.

	Unaudited		Unaudited	
	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Profit/(loss) attributable to equity holders of the Company (RMB' 000)	2,209,747	877,415	631,411	(554,362)
Weighted average number of shares in issue (thousand)	5,825,222	5,745,187	5,820,039	5,738,107
Basic earnings/(loss) per share (RMB)	<u>0.38</u>	<u>0.15</u>	<u>0.11</u>	<u>(0.10)</u>

- (b) Diluted earnings/(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 two categories of dilutive potential ordinary shares: share options and RSUs. Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding by assumption of the conversion of all potential diluted ordinary shares arising from share options and RSUs granted by the Company (collectively forming the denominator for computing the diluted earnings/(loss) per share). No adjustment is made to earnings (numerator).

As the Company incurred losses for the six months ended June 30, 2019, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the six months ended June 30, 2019 were the same as basic loss per share of the respective periods.

	Unaudited		Unaudited	
	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Profit/(loss) attributable to equity holders of the Company (RMB' 000)	2,209,747	877,415	631,411	(554,362)
Weighted average number of shares in issue (thousand)	5,825,222	5,745,187	5,820,039	5,738,107
Adjustments for share options and RSUs shares (thousand)	157,174	134,158	156,749	—
Diluted earnings/(loss) per share (RMB)	<u>0.37</u>	<u>0.15</u>	<u>0.11</u>	<u>(0.10)</u>

7 Income tax credits/(expenses)

The following table sets forth our income tax credits/(expenses) for the periods indicated:

	Unaudited		Unaudited	
	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	<i>(RMB in thousands)</i>			
Current income tax credits/(expenses)	38,359	(183,764)	29,201	(233,829)
Deferred income tax (expenses)/credits	(25,325)	(42,260)	99,071	(135,514)
	<u>13,034</u>	<u>(226,024)</u>	<u>128,272</u>	<u>(369,343)</u>

8 Property, plant and equipment

Our property, plant and equipment primarily consist of bikes and vehicles, computer equipment, right-of-use assets, assets under construction, leasehold improvements and furniture and appliances. Our property, plant and equipment increased by 38.5% from RMB5.4 billion as of December 31, 2019 to RMB7.4 billion as of June 30, 2020, primarily due to the increase in the carrying value of bike and vehicles.

9 Trade receivables

Trade receivables represent amounts due from customers for services performed in the ordinary course of business. Trade receivables are generally due for settlement within one year and therefore are all classified as current. The following table sets forth our trade receivables as of the dates indicated:

	Unaudited As of June 30, 2020	Audited As of December 31, 2019
	<i>(RMB in thousands)</i>	
Trade receivables	1,016,262	832,616
Less: allowance for impairment	(156,532)	(155,854)
	859,730	676,762

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

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

	Unaudited As of June 30, 2020	Audited As of December 31, 2019
	<i>(RMB in thousands)</i>	
Trade receivables		
Up to 3 months	702,512	544,784
3 to 6 months	104,923	87,114
6 months to 1 year	45,225	34,574
Over 1 year	7,070	10,290
	859,730	676,762

10 Deferred revenues

The following table sets forth our deferred revenues as of the dates indicated:

	Unaudited As of June 30, 2020	Audited As of December 31, 2019
	<i>(RMB in thousands)</i>	
Non-current		
Business cooperation agreement with Maoyan	277,833	388,967
Others	2,708	61
	280,541	389,028
Current		
Online marketing services	3,909,155	4,299,191
Business cooperation agreement with Maoyan	222,267	222,267
Mobike monthly pass	39,204	44,010
Others	625	1,703
	4,171,251	4,567,171
	4,451,792	4,956,199

11 Trade payables

Trade payables represent liabilities for goods and services provided to us prior to the end of reporting period which are unpaid. Trade payables are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method. The following table sets forth our trade payables as of the dates indicated:

	Unaudited As of June 30, 2020	Audited As of December 31, 2019
	<i>(RMB in thousands)</i>	
Trade payables	7,332,014	6,766,253

As of June 30, 2020 and December 31, 2019, the aging analysis of the trade payables based on invoice date were as follows:

	Unaudited As of June 30, 2020	Audited As of December 31, 2019
	<i>(RMB in thousands)</i>	
Trade payables		
Up to 3 months	7,136,697	6,353,368
3 to 6 months	70,330	237,151
6 months to 1 year	59,233	119,630
Over 1 year	65,754	56,104
	7,332,014	6,766,253

12 Dividends

No dividends have been paid or declared by the Company during the six months ended June 30, 2020 and the year ended December 31, 2019.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the six months ended June 30, 2020.

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Company's unaudited interim financial statements for the six months ended June 30, 2020. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control and financial reporting matters.

Events after the Reporting Period

On July 1, 2020, the Company invested US\$500 million to acquire approximately 15% of the convertible redeemable preferred shares of Li Auto Inc. ("Li Auto"). On July 30, 2020, Li Auto was successfully listed on Nasdaq, and all the convertible redeemable preferred shares held by the Company were automatically converted into Li Auto's Class A ordinary shares. The Company also entered into a share subscription agreement to make an additional investment of US\$300 million in Class A ordinary shares of Li Auto in the concurrent private placement of the global offering. Other than disclosed above, there was no significant event that might affect the Company since the end of the six months ended June 30, 2020.

Compliance with the Corporate Governance Code

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

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

Save for code provision A.2.1, the Company has complied with all the code provisions as set out in the CG Code where applicable during the six months ended June 30, 2020. Pursuant to code provision A.2. 1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have separate chairman and chief executive officer and Mr. Wang Xing currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Company and enables more effective and efficient overall strategic planning for the Company. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time by taking into account the circumstances of the Company as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the six months ended June 30, 2020.

Publication of the Interim Results and Interim Report

All the financial and other related information of the Company required by the Listing Rules will be published on the website of each of the Stock Exchange (www.hkexnews.hk) and the Company (about.meituan.com) in due course.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to our consumers, merchants and partners for their trust in our platform, our delivery riders for their reliable and efficient services, our entire staff and management team for their outstanding contributions, and our shareholders for their continuous support.

By Order of the Board
Meituan Dianping
Wang Xing
Chairman

Hong Kong, August 21, 2020

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Xing as chairman and executive Director, Mr. Mu Rongjun and Mr. Wang Huiwen as executive Directors, Mr. Lau Chi Ping Martin and Mr. Neil Nanpeng Shen as non-executive Directors, and Mr. Orr Gordon Robert Halyburton, Mr. Leng Xuesong and Mr. Shum Heung Yeung Harry as independent non-executive Directors.

The Company’s shareholders and potential investors should note that the information in this announcement is based on the management accounts of the Company which have not been audited or reviewed by the Company’s Auditor. This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

Term	Definition
“Articles” or “Articles of Association”	the articles of association of the Company adopted on August 30, 2018 with effect from Listing, as amended from time to time
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the external auditor of the Company
“Board”	the Board of Directors
“CG Code”	the corporate governance code as set out in Appendix 14 to the Listing Rules
“Class A Shares”	Class A shares of the share capital of the Company with a par value of US\$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Class B Shares”	Class B ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “the Company”	Meituan Dianping (美团点评) (formerly known as Internet Plus Holdings Ltd.), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 25, 2015, or Meituan Dianping (美团点评) and its subsidiaries and Consolidated Affiliated Entities, as the case may be
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely, the Onshore Holdcos and their respective subsidiaries (each a “Consolidated Affiliated Entity”)
“CODM”	the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments
“Director(s)”	the director(s) of the Company

“Global Offering”	the Hong Kong Public Offering and the International Offering
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing”	the listing of the Class B Shares on the Main Board of the Stock Exchange
“Listing Date”	September 20, 2018, on which the Class B Shares are listed and on which dealings in the Class B Shares are first permitted to take place on the Stock Exchange
“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 Growth Enterprise Market of the Stock Exchange
“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 and its subsidiaries and Consolidated Affiliated Entities
“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 and 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
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“United States”, “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

“US\$” U.S. dollar, the lawful currency of the United States

“%” per cent

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

“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

“Transacting User” a user account that paid for transactions of products and services on our platform in a given period, regardless of whether the account is subsequently refunded

“transaction” the number of transactions is generally recognized based on the number of payments made. (i) With respect to our in-store business, one transaction is recognized if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognized if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air and train ticketing businesses, one transaction is recognized if a user purchases multiple tickets with a single payment; (iv) with respect to our bike-sharing business, if a user uses 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