

# SECTION A1

## WAIVERS AND EXEMPTIONS

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

<b>Rules</b>	<b>Subject matter</b>
Rule 2.07A of the Hong Kong Listing Rules	Printed Corporate Communications
Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules	Acquisitions after the Track Record Period
Rules 4.04(3)(a), 4.05(1)(c), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements Relating to the Accountant's Report
Rule 9.09(b) of the Hong Kong Listing Rules	Dealings in Shares prior to Listing
Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules	Printed Prospectuses
Rule 13.25B of the Hong Kong Listing Rules	Monthly Return
Rule 19C.07(3) of the Hong Kong Listing Rules	Shareholder Protection Requirements in Relation to Approval, Removal and Remuneration of Auditors
Rule 13.46(2)(b) of the Hong Kong Listing Rules	Laying Annual Financial Statements Before Members at an Annual General Meeting within Six Months after the End of Financial Year
Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and Paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures
Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and Paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to Us

<b>Rules</b>	<b>Subject matter</b>
Paragraph 27 of Appendix 1A to the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements of Options
Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Hong Kong Listing Rules	Disclosure of Interests Information
Paragraph 32 of Appendix 1A to the Hong Kong Listing Rules and Guidance Letter HKEX-GL37-12	Timing Requirement of Liquidity Disclosure
Paragraph 15(2)(c) of Appendix 1A to the Hong Kong Listing Rules	Disclosure of Offer Price
Rules 10.03(1), 10.03(2) and 10.04 of and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules	Subscription for Shares by Existing Shareholders
Paragraph 3(b) of Practice note 15 to the Hong Kong Listing Rules	Three-year Restriction on Spin-offs
Section 4.1 of the Introduction to the Takeovers Codes	Not a public company in Hong Kong under Takeovers Code
Part XV of the SFO	Disclosure of interests under Part XV of the SFO
Paragraphs 28(1)(b)(iii), (iv) and (v) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements in respect of Customers

### **Printed Corporate Communications**

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

Our ADSs have been listed on the NYSE since December 2013. We have a diverse shareholder base with ADS holders globally.

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

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

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

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

### **Acquisitions After the Track Record Period**

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

Pursuant to Rule 4.02A of the Hong Kong Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may consider

granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

### *Acquisition since December 31, 2020*

Since December 31, 2020, we have proposed to make one acquisition (the “**Acquisition**”), details of which are set out below:

<b>Target</b> <sup>(1)(3)</sup>	<b>Consideration</b> <i>(approximately RMB million)</i>	<b>Percentage of shareholding/ equity interest</b> <sup>(2)</sup>	<b>Principal business activities</b>
Company X	1,072	100%	operation of online automotive portals in Malaysia, Indonesia and Thailand

#### *Notes:*

- (1) Given that we have not yet entered into legally binding agreements for the Acquisition as at the Latest Practicable Date, the information set out above might be subject to further changes.
- (2) The percentage of shareholding/equity interest represents our total pro forma shareholding in Company X after completion of the Acquisition.
- (3) None of the core connected persons at the level of the Company is a controlling shareholder of Company X.

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

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

### **The percentage ratios of the Acquisition are all less than 5% by reference to the financial year ended December 31, 2019 and the six months ended June 30, 2020**

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for the Acquisitions are all less than 5% by reference to the financial year ended December 31, 2019 and the six months ended June 30, 2020.

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

**The historical financial information of Company X fulfilling the disclosure requirement under Rule 4.04 of the Hong Kong Listing Rules would be unduly burdensome to obtain or prepare**

Company X is a public company listed on the Australian Securities Exchange. Note 2 to Rule 4.04 of the Hong Kong Listing Rules requires that “*the financial information on the business or subsidiary acquired, agreed to be acquired or proposed to be acquired must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants’ report or in a separate accountants’ report*”. The historical financial information of Company X was prepared in accordance with Australian Accounting Standards as opposed to U.S. GAAP. In addition, it would require considerable time and resources for us and our reporting accountant to fully familiarize ourselves with the management accounting policies of Company X and compile the necessary financial information in accordance with U.S. GAAP that complies with Rule 4.04 of the Hong Kong Listing Rules for disclosure in the Prospectus. It is equally impractical to request Company X to produce historical financial information in accordance with U.S. GAAP. As such, we believe that it would be impractical and unduly burdensome for us to disclose the audited financial information of Company X as required under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules.

In addition, having considered the Acquisition to be immaterial and that we do not expect the Acquisition to have any material effect on its business, financial condition or operations, we believe that it would not be meaningful and would be unduly burdensome for us to prepare and include the financial information of Company X during the Track Record Period in accordance with U.S. GAAP in the Prospectus. As we do not expect the Acquisition to result in any material changes to its financial position after the Track Record Period, we do not believe that the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interests of the investors.

**Alternative disclosure of the Acquisitions in the listing document**

We have provided alternative information about the Acquisition in the Prospectus. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that our directors consider to be material, including, for example, descriptions of Company X’s principal business activities, the investment amounts, and a statement as to whether the core connected persons at the level of the Company is a controlling shareholder of Company X. We have however excluded disclosure on the names of certain targets in connection with the Acquisition given that we have not yet entered into legally binding agreements with respect to the Acquisition as of the Latest Practicable Date, having also considered the competitive nature of the industries in which we operate and the uncertainties underlying the final outcome of the Acquisition. Since each of the relevant percentage ratio of the Acquisition is less than 5% by reference to the most recent fiscal year of the Track Record Period, we believe that the current disclosure is adequate for potential investors to form an informed assessment of the Company. We do not expect to use any proceeds from the Listing to fund the Acquisition.

## **Disclosure Requirements Relating to the Accountant’s Report**

Rules 4.04(3)(a), 4.05(1)(c), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance set out certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

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

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

During the Track Record Period, we adopted, among other new accounting standards that did not have a material impact on our consolidated financial statements, Accounting Standards Update 2014-09 “Revenue from Contracts with Customers (Topic 606)” (“**ASC 606**”), Accounting Standards Update 2016-02 “Leases”, including certain transitional guidance and subsequent amendments within ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20 and ASU 2019-01 (collectively, including ASU 2016-02, “**ASC 842**”) and Accounting Standards Update 2016-13 “Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“**ASC 326**”). The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the Accountant’s Report in Appendix I to this document.

ASC 606 permits entities to apply one of two methods: retrospective or modified retrospective, since first adoption on January 1, 2018. ASC 606 was adopted on January 1, 2018 using the modified retrospective method. Results for the Track Record Period are presented under ASC 606. The adoption changed the presentation of value-added-tax on gross basis to net basis and there was no adjustment to the beginning retained earnings on January 1, 2018.

ASC 842 was adopted on January 1, 2019 by applying the modified retrospective method to those contracts that are not completed as of January 1, 2019, with the comparative information not being adjusted and continued to be reported under historic accounting standards. Adoption of the new lease standard resulted in the recognition of operating lease right-of-use assets of RMB184.8 million and operating lease liabilities of RMB176.4 million on the consolidated balance sheet as of January 1, 2019. The amount of the operating lease right-of-use assets of

RMB184.8 million over the operating lease liabilities of RMB176.4 million recognized on January 1, 2019 was credited to prepaid expenses and other current assets on the consolidated balance sheet as of January 1, 2019. The adoption of the new lease standard does not have any significant impact on the consolidated statements of comprehensive income and cash flows and there was no adjustment to the beginning retained earnings on January 1, 2019. Full retrospective application of ASC 842 is not permitted under U.S. GAAP.

ASC 326 was adopted on January 1, 2020 using the modified retrospective transition method, ASC 326 replaces the existing incurred loss impairment model with a forward-looking current expected credit loss (“CECL”) methodology. The Group has developed a CECL model based on historical experience, the age of the accounts receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The cumulative effect from the adoption as of January 1, 2020 was immaterial to the consolidated financial statements. An accounts receivable balance is written off after all collection effort has ceased. Full retrospective application of ASC 326 is not permitted under U.S. GAAP.

The following alternative disclosures with respect to certain items identified above which are relevant to us have been included in this document:

- a) for certain new accounting standards that came into effect during the Track Record Period, the accounting policies as well as the impact of adoption, if any, to the beginning retained earnings of initial application (i.e., January 1, 2018, 2019 and 2020) has been disclosed in the Accountant’s Report in Appendix I to this document in accordance with the relevant requirements under U.S. GAAP; and
- b) disclosure of the relevant accounting policies adopted for the Track Record Period in the Accountant’s Report in Appendix I to this document.

As this document has included the above alternative disclosures and the current disclosure in this document contains all information which is necessary for the investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group, we believe that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountant’s Report in Appendix I to this document to include certain required information pursuant to Rules 4.04(3)(a), 4.05(1)(c), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and that the non-disclosure of such information will not prejudice the interests of investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(1)(c), 4.05(2) and 4.13 of the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC has granted the exemption referred to above on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 4, 2021.

## **Dealings in Shares prior to Listing**

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

We had 47 subsidiaries and operating entities as of the Latest Practicable Date, and our ADSs are widely held, publicly traded and listed on the NYSE. We consider that we are therefore not in a position to control the investment decisions of our shareholders or the investing public in the US. Solely based on public filings with the SEC as of the Latest Practicable Date, other than Yun Chen Capital Cayman, a subsidiary of Ping An Group, and entities affiliated with Kayne Anderson we had no shareholders who held 10% or more of our issued share capital.

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

- (a) Yun Chen, the Company’s controlling shareholder, in respect of the use of its Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period (“**Category 1**”);
- (b) our directors and chief executives, and the directors and chief executives of our Major Subsidiaries, in respect of their respective use of the Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period (“**Category 2**”);
- (c) directors, chief executives and substantial shareholders of our non-Major Subsidiaries and their close associates (“**Category 3**”); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become our substantial shareholder (as defined in the Hong Kong Listing Rules) and who is not its director or chief executive, or a director or chief executive of our subsidiaries, or their close associates (“**Category 4**”).



For the avoidance of doubt:

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

We believe, subject to the conditions set forth below, the dealings in our securities by our core connected persons will not prejudice the interests of the potential investors of the Company and align with the principles in the Hong Kong Stock Exchange’s Guidance Letter GL42-12.

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

- (a) where Categories 1 and 2 of the Permitted Persons use the Shares as security, there will be no change in the beneficial ownership of the Shares during the Relevant Period;
- (b) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any of our non-public inside information in relation to the Global Offering given that such persons are not in a position with access to information that is considered material to us taken as a whole. Given the large number of our subsidiaries (including our consolidated affiliated entities) and our vast ADS holder base, we and our management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in our ADSs;
- (c) we will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. (including the NYSE rules) and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which we are aware;
- (d) we will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of our core connected persons during the Relevant Period when we become aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and

- (e) prior to the Listing Date, other than within the permitted scopes set out above, our directors and chief executive and the directors and chief executives of our Major Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under our Group's share incentive plans.

### **Printed Prospectuses**

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

We do not intend to provide printed copies of this document or of the white and yellow application forms to the public in relation to the Hong Kong Public Offering. A fully electronic application process with a paperless document and application forms is in line with recent amendments to the Hong Kong Listing Rules relating to environmental, social and governance (“ESG”) matters. As the Hong Kong Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters “*echo the increasing international focus on climate change and its impact on business.*” Further, electronic, in lieu of printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others.

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

We have adopted a fully electronic application process for the Hong Kong Public Offering and will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. Our Hong Kong Share Registrar has implemented enhanced measures to support **White Form eIPO** Service, including increasing its server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process. For details of the telephone hotline and the application process, please see “How to Apply for Hong Kong Offer Shares.”

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

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules in respect of providing copies of this document in printed form based on our specific and prevailing circumstances.

### **Monthly Return**

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

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

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

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

### **Shareholder Protection Requirements in Relation to Approval, Removal and Remuneration of Auditors**

For an overseas issuer seeking a secondary listing on the Hong Kong Stock Exchange, Rule 19.30(1)(b) of the Hong Kong Listing Rules requires the Hong Kong Stock Exchange to be satisfied that the overseas issuer’s primary listing is or is to be on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. Rule 19C.06 of the Hong Kong Listing Rules provides that Appendices 3 and 13 to the Hong Kong Listing Rules do not apply to an overseas issuer that is a Non-Greater China Issuer

(as defined in the Hong Kong Listing Rules) or a Grandfathered Greater China Issuer seeking a secondary listing under Chapter 19C of the Hong Kong Listing Rules. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Hong Kong Listing Rules.

We are a Grandfathered Greater China Issuer under Chapter 19C of the Hong Kong Listing Rules.

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

Our Articles do not contain an equivalent Auditors Provision. Pursuant to our Articles, the Board has the power to appoint, remove and remunerate the auditors instead. Although the Board has such a power, it has formally delegated this function to our audit committee (the "**Audit Committee**") since our listing on the NYSE in December 2013.

The Audit Committee is akin to an independent body of the Board on the basis of the independence requirements set out in applicable U.S. laws and the NYSE rules. The Audit Committee comprises of three members, all of whom are independent directors as required by the U.S. Exchange Act and applicable NYSE rules. See "Directors and Senior Managers — Board Committees — Audit Committee" for the current members of the Audit Committee, each of whom has further confirmed his "independence" under the Hong Kong Listing Rules with reference to the factors set out in Rule 3.13 of the Hong Kong Listing Rules.

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

### **Laying Annual Financial Statements before members at an Annual General Meeting within six months after the end of Financial Year**

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

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

The Company is an issuer with significant interests outside of Hong Kong. The Company was incorporated in the Cayman Islands and has a primary listing on the NYSE. The Company has obtained a ruling from the SFC that the Company should not be considered a public company in Hong Kong within the meaning of Section 4.2 of the Introduction on the Takeovers Codes. The Group had more than 3,860 employees based in the PRC and only 43 employees based

outside of the PRC as of December 31, 2020. For the years ended December 31, 2019 and 2020, more than 99% and 99% of the Group's net revenues and net profit were generated from the PRC, respectively. As of December 31, 2020, more than 85% of the Group's total assets were based in the PRC.

The Company is expected to be listed on the Hong Kong Stock Exchange in March 2021 and will include in the Prospectus the audited financial information for the year ended December 31, 2020 and other financial disclosures. Upon Listing, the Company will therefore have provided its shareholders with all of the information required under Rule 13.46(2)(b) of the Hong Kong Listing Rules. Accordingly, the Company's shareholders would not be unfairly prejudiced by it not convening an AGM by June 30, 2021 for the purpose of laying its annual financial statements for the financial year ended December 31, 2020 before its members, as required by Rule 13.46(2)(b) of the Hong Kong Listing Rules.

Furthermore, the Company has historically held its AGM in the fourth quarter of each year. The procedures for convening an AGM for a company with a listing in both the U.S. and Hong Kong are burdensome and require global coordination among various parties, including, but not limited to, the Company's ADS depository bank, Hong Kong share registrar, and Hong Kong Securities Clearing Company Limited. The Company does not have any prior experience in convening an AGM that complies with the requirements under the Hong Kong Listing Rules. Given that the Company has spent significant amount of time and resources in preparation of the Listing, it will need more time after Listing to get familiarized with the procedures and seek thorough consultation from its advisors and all the relevant professional parties. In light of the circumstances, it will be unduly burdensome for the Company to convene an AGM by June 30, 2021 to lay before members annual financial statements for the financial year ended December 31, 2020.

Section 302 of NYSE Listed Company Manual requires that each company listing common stock or voting preferred stock and their equivalents are required to hold an annual shareholders' meeting for the holders of such securities during each fiscal year, and each company has twelve months from the end of the fiscal year to hold an annual shareholders' meeting. There is no requirement under the NYSE rules to hold an AGM within the period of six months after the end of financial year or accounting reference period to which the annual financial statements relate.

The Company's Cayman Islands counsel confirmed that (a) the Cayman Companies Act does not require the Company to follow or comply with the requirement under the Hong Kong Listing Rules to hold an AGM by June 30, 2021 to lay before members annual financial statements for the financial year ended December 31, 2020; and (b) the Company's not holding an AGM by June 30, 2021 will not breach any law, public rule or regulation applicable to the Company currently in force in the Cayman Islands and the Articles.

On the basis of the above, the Company's not holding an AGM before June 30, 2021 to lay its annual financial statements for the financial year ended December 31, 2020 before its members does not contravene the relevant requirements under the NYSE rules, U.S. securities laws, laws of the Cayman Islands and the Articles.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 13.46(2)(b) of the Hong Kong Listing Rules in respect of the requirement to hold an AGM within six months after the financial year ended December 31, 2020 for the purpose of laying the Company's annual financial statements before its members, subject to the condition that the Company shall hold an AGM by December 31, 2021 for the purpose of laying before its members the financial statements for the financial year ended December 31, 2020. In the future, we will comply with the requirements of Rule 13.46(2)(b) of the Hong Kong Listing Rules by convening an AGM within six months after the end of each financial year for the purpose of laying before members the annual financial statements of such financial year, starting from an AGM convened in the first six months of 2022 for the financial year ending December 31, 2021.

### **Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures**

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

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

We have identified 14 entities as our Major Subsidiaries. For further details, see the section headed "History and Corporate Structure — Corporate Structure — Major Subsidiaries". We had 47 subsidiaries (including our consolidated affiliated entities) as of the Latest Practicable Date. We believe that it would be unduly burdensome for us to disclose this information in respect of all of our subsidiaries (including our consolidated affiliated entities) as we would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors.

The Major Subsidiaries include all of our subsidiaries (including our consolidated affiliated entities) that meet the financial threshold for "significant subsidiaries" under Regulation S-X in the U.S. (i.e., contributing more than 10% of our Group's total assets and income) and are representative of our business (including those that hold major assets, intellectual property rights, proprietary technologies and R&D). None of the non-Major Subsidiaries is individually material to us in terms of its contribution to our Company's total net income or total assets or holds any major assets, intellectual property rights, proprietary technologies and R&D. By way of illustration, the aggregate net income of the Major Subsidiaries accounted for 90%, and 97% of the net income of our Group for the years ended December 31, 2019 and 2020, respectively, and the total assets of the Major Subsidiaries represented 82% and 79% of the total assets of our Group as at December 31, 2019 and 2020, respectively. As such, we have disclosed the particulars of the changes in our share capital and the share capital of the Major Subsidiaries in "Statutory and General Information — Further Information About Us" in

Appendix IV, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of our Major Subsidiaries are set out in “Statutory and General Information — Other Information — Miscellaneous” in Appendix IV.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements under Paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from strict compliance with the requirements under Paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 4, 2021.

### **Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to us**

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

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

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from strict compliance with the requirements under Paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC exemption was granted on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 4, 2021.

## Disclosure Requirement of Options

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

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

We and our subsidiaries (including our consolidated affiliated entities) may, from time to time, adopt equity incentive plans, including: (a) our 2011 Share Incentive Plan adopted in May 2011; (b) our 2013 Share Incentive Plan adopted in November 2013; and (c) our Amended and Restated 2016 Share Incentive Plan adopted and amended in March 2017 and April 2017, respectively (together the “**Share Option Plans**”). The Share Option Plans are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules. The Share Option Plans allow us and our subsidiaries (including our consolidated affiliated entities) to grant options to employees, directors and consultants.

Details of the Share Option Plans are disclosed in “Directors and Senior Management — Compensation — Share Incentive Plans.” The disclosure is substantially the same as those in our 20-F filings and comply with applicable U.S. laws and regulations. The current disclosure in this document is therefore not in strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules and Paragraph 10 of Part 1 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

For the reasons stated above, we believe that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for us, and would not be material or meaningful to Hong Kong investors. As of December 31, 2020, the total number of Shares underlying outstanding options granted pursuant to the Share Option Plans represent only 0.43% of our total issued share capital.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The SFC has granted an exemption referred to above on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before March 4, 2021.



## **Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments were Highest**

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

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

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

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

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

## **Disclosure of Interests Information**

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

We have applied for, and the SFC has granted, a partial exemption from strict compliance with Part XV of the SFO as set out below under the sub-section headed "Disclosure of Interest under Part XV of the SFO."

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

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

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

### **Timing Requirement of Liquidity Disclosure**

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

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

As this document is published in March 2021, the Company would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than January 2021 pursuant to GL37-12.

Given that the Company expects to include in this document an accountant's report incorporating the audited consolidated financial information of the Group for the three years ended December 31, 2020, it would be unduly burdensome for the Company to re-arrange information for similar liquidity disclosures on a consolidated basis shortly after the end of the Company's latest financial year. For a detailed commentary on the Group's liquidity position, please refer to "Financial Information — Liquidity and Capital Resources" and " — Working Capital".

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

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

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

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

### **Disclosure of Offer Price**

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

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

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

For the information of the potential investors, we will disclose the historical prices of our ADSs and trading volume on NYSE for the period from January 1, 2020 up to the Latest Practicable Date in "Structure of the Global Offering — Pricing and allocation — Determining the Offer Price."

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

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

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

## Subscription for Shares by Existing Shareholders

Rule 2.03(2) of the Hong Kong Listing Rules provides that the issue and marketing of securities should be conducted in a fair and orderly manner.

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

The conditions in Rules 10.03(1) and (2) of the Hong Kong Listing Rules are as follows:

- (i) that no securities are offered to the purchasers on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and
- (ii) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

Rule 19.31 of the Hong Kong Listing Rules provides that the requirement under Rule 8.08 of the Hong Kong Listing Rules to maintain a minimum percentage of public shareholders does not apply to a secondary listing.

The Hong Kong Stock Exchange's Guidance Letter HKEX-GL85-16 provides that the Hong Kong Stock Exchange will consider granting a waiver from Rule 10.04 of the Hong Kong Listing Rules and consent, pursuant to Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules, allowing an applicant's existing shareholders or their close associates to participate in an initial public offering if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

As a company listed on the NYSE, we are not in a position to prevent any person or entity from acquiring our listed securities prior to the allocation of shares in connection with the Global Offering. It would therefore be unduly burdensome for us to seek the prior consent of the Hong Kong Stock Exchange for each of our existing shareholders or their close associates who subscribe for Shares in the Global Offering. Since we do not require shareholders' approval in order to proceed with the Global Offering, any persons (other than its directors and senior management) who may, as a result of dealings, become our shareholders (together, the "**Permitted Existing Shareholders**") would have no influence over the Global Offering and would not be in possession of any non-public inside information and would therefore effectively be in the same position as any of the public investors.

Solely based on public filings with the SEC as of the Latest Practicable Date, other than Yun Chen and entities affiliated with Kayne Anderson, we had no shareholder who held 10% or more of our issued share capital.

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

- (a) each Permitted Existing Shareholder is interested in less than 10% of our issued share capital immediately before the Listing;
- (b) each Permitted Existing Shareholder is neither a director nor member of the senior management of the Company and its subsidiaries;
- (c) the Permitted Existing Shareholders do not have the power to appoint directors or any other special rights in us;
- (d) the Permitted Existing Shareholders do not have influence over the offering process and will be treated the same as other applicants and places in the Global Offering;
- (e) the Permitted Existing Shareholders and their close associates will be subject to the same book- building and allocation process as other investors in the Global Offering; and
- (f) we, the Joint Sponsors, the Joint Representatives, and the Joint Global Coordinators, to the best of our knowledge and belief (and based on discussions between each of us, the Joint Sponsors, the Joint Representatives, and Joint Global Coordinators and confirmations required to be submitted to the Hong Kong Stock Exchange by us and the Joint Representatives), will or have confirmed to the Hong Kong Stock Exchange in writing that, to the best of its knowledge and belief, it has no reason to believe that any preferential treatment has been, nor will be, given to the Permitted Existing Shareholders or their close associates in the allocation process by virtue of their relationship with us.

Allocation to the Permitted Existing Shareholders and/or their close associates will not be disclosed in our allotment results announcement (other than to the extent that such Permitted Existing Shareholders or close associates subscribe for shares as cornerstone investors) unless such Permitted Existing Shareholders are interested in 5% or more of our issued share capital after the Global Offering as disclosed in any public filings with the SEC, as it would be unduly burdensome for us to disclose such information given that there is no requirement to disclose interests in equity securities under the U.S. Exchange Act that is applicable to us unless the beneficial ownership of such person (including directors and officers of the company concerned) reaches more than 5% of equity securities registered under Section 12 of the U.S. Exchange Act.

### **Three Year Restrictions to Spin-Offs**

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

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

Our Company, from time to time, consider different opportunities to bring value to our Shareholders, including spinning off any of our business subsidiaries when they have reached a desirable level of maturity. The exact timing of any potential spin-off would depend on the development of each of the business subsidiaries and market conditions. In some cases, it is possible that a spin-off within three years of the Listing may be appropriate. As of the Latest Practicable Date, we have not identified any target for a potential spin-off and as a result we do not have any information relating to the identity of any spin-off target or any other details of any spin-off; and accordingly, there is no material omission of any information relating to any possible spin-off in this document. Any potential spin-offs by our Company will be subject to compliance with all applicable requirements under the Hong Kong Listing Rules, including Practice Note 15 to the Hong Kong Listing Rules, unless otherwise waived by the Hong Kong Stock Exchange.

No shareholders' approval with respect to a potential spin-off will be required under our Articles under applicable U.S. regulations and NYSE listing rules. Further, as we are a Grandfathered Greater China Issuer and therefore exempt from the requirements under Chapter 14 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules, no shareholders' approval will be required under the Hong Kong Listing Rules as well.

The effect of a spin-off to our Shareholders should be the same regardless of whether or not the businesses to be potentially spun-off are to be listed on the Hong Kong Stock Exchange (save with respect to any preferential rights to subscribe for shares that are commonly provided in spin-offs on the Hong Kong Stock Exchange). Given the fact that certain spin-offs by Grandfathered Greater China Issuers are allowed within three years after their listing in Hong Kong pursuant to Rule 19C.11 of the Hong Kong Listing Rules, we believe that the three-year restriction on spin-offs on the Hong Kong Stock Exchange should also be waived and shall not apply to a potential spin-off by our Company.

Our Company and any subsidiary in respect of which a potential spin-off is contemplated will be subject to compliance with all other applicable requirements under the Hong Kong Listing Rules, including the remaining requirements of Practice Note 15 to the Hong Kong Listing Rules and the applicable listing eligibility requirements under the Hong Kong Listing Rules, unless otherwise waived by the Hong Kong Stock Exchange.

Under U.S. securities laws and NYSE listing rules, we are not subject to any restrictions similar to the three-year restriction under paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules in relation to the spin-offs of its business subsidiaries, nor is there any requirement for us to disclose any details of its potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan.

Our directors owe fiduciary duties to our Company, including the duty to act in what they consider in good faith to be in the best interests of our Company; as such they will only pursue

a potential spin-off if there are clear commercial benefits both to our Company and the entity to be spun off; and the directors will not direct our Company to conduct any spin-off if they believe it will have an adverse impact on the interests of our Shareholders.

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

- (i) we will not within three years after the Listing spin off any of our business subsidiaries until it confirms with the Hong Kong Stock Exchange with basis that the potential spin-off would not render our Company, excluding the subsidiary to be spun off, failing to meet the eligibility or suitability requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules based on the financial information of the subsidiary to be spun off at the time of the Listing, and where more than one subsidiary is to be spun off, the assessment will be made on a cumulative basis;
- (ii) we will disclose in this document our intention relating to any potential spin-off within three years after the Listing and the risks relating to the uncertainty and timing of any potential spin-offs. See “Risk factors — Divestitures of businesses and assets may have a material and adverse effect on our business and financial situation” in this document;
- (iii) any potential spin-offs by our Company will be subject to the requirements of Practice Note 15 to the Hong Kong Listing Rules (other than paragraph 3(b) thereof), including that each of our Company and the business subsidiary to be spun off will satisfy the applicable listing eligibility requirements on a standalone basis; and
- (iv) disclosure of this waiver in this document.

### **Not a Public Company in Hong Kong Under the Takeovers Code**

Section 4.1 of the Introduction to the Takeovers Code provides that the Takeovers Code applies to “public companies in Hong Kong.” The note to Section 4.2 of the Introduction to the Takeovers Code provides that a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Hong Kong Listing Rules with a secondary listing on the Hong Kong Stock Exchange will not normally be regarded as a public company in Hong Kong under Section 4.2 of the Introduction to the Takeovers Code. Where the bulk of trading in the shares of a Grandfathered Greater China Issuer migrates to Hong Kong such that it would be treated as having a dual-primary listing in Hong Kong pursuant to Rule 19C.13 of the Hong Kong Listing Rules, the Takeovers Code will apply to it.

We have applied for, and the SFC has granted, a ruling that our Company is not a “public company in Hong Kong” for the purposes of the Takeovers Code.

## **Disclosure of Interests under Part XV of the SFO**

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

We have applied for, and the SFC has granted, a partial exemption from Part XV of the SFO (other than Divisions 5, 11 and 12) on the following conditions:

- (a) the bulk of trading in the Shares is not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Hong Kong Listing Rules;
- (b) all the disclosures of interest filed in the SEC are also filed with the Hong Kong Stock Exchange as soon as practicable, which will then publish such disclosure in the same manner as disclosures made under Part XV of the SFO; and
- (c) we will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of our worldwide share turnover that takes place on the Hong Kong Stock Exchange.

## **Disclosure Requirements in respect of Customers**

Paragraphs 28(1)(b)(iii) and (iv) of Part A of Appendix 1 to the Hong Kong Listing Rules require the listing document to include a statement of the percentage of revenue attributable to the group's largest customer and a statement of the percentage of revenue attributable to the group's five largest customers combined, respectively.

Paragraph 28(1)(b)(v) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include a statement of the interest of any of the directors, their close associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the number of issued shares of the issuer) in the group's top five customers. Sub-paragraph (vii) further provides that in the event that the percentage which would fall to be disclosed under sub-paragraph (iv) above is less than 30, a statement of that fact shall be given and the information required in sub-paragraphs (iii), (iv) and (v) (in respect of customers) may be omitted.



The Company believes that the specific percentage figures required to be disclosed by Paragraphs 28(1)(b)(iii) and (iv) of Part A of Appendix 1 to the Hong Kong Listing Rules are commercially sensitive and could be exploited by its competitors. The Company has not publicly disclosed the information strictly required by Paragraphs 28(1)(b)(iii) and (iv) of Part A of Appendix 1 to the Hong Kong Listing Rules in its SEC filings, nor is it required to do so under U.S. laws and regulations. The Company has however made alternative disclosures in the section headed “Our Business — Customers and Suppliers” and believes that the current disclosure in this document provides sufficient information to investors to make an informed assessment of the Company’s business.

Some of the Company’s top five customers are public companies (or entities controlled by them) whose shares are traded on various stock exchanges. As a NYSE-listed company, the Company is not in a position to compel its public shareholders who own more than 5% in its issued shares based on public filings<sup>(1)</sup> to disclose to the Company their shareholding interests in its top five customers during the Track Record Period. It would also be unduly burdensome for these public shareholders of the Company to ascertain their shareholding interests in the Company’s top five customers (especially the companies whose shares are publicly traded), because the disclosure requirements under Paragraph 28(1)(b)(v) of Part A of Appendix 1 to the Hong Kong Listing Rules are not subject to any materiality or de minimis exemptions or “safe harbors” provisions. The same difficulties would apply to the Company’s directors who are otherwise required to disclose their, and their close associates’, shareholding interests in the Company’s top five customers including the companies whose shares are publicly traded. As of the Latest Practicable Date, based on publicly available information, save for one customer which is owned as to 99% by Ping An Group and which contributed less than 6% of the Company’s total revenues in each of the financial year ended December 31, 2018, 2019, and 2020, none of our directors and their close associates or our controlling shareholders, held a 5% or more shareholding interest in our top five customers.

In addition, the Company does not believe that the information strictly required by Paragraph 28(1)(b)(v) of Part A of Appendix 1 to the Hong Kong Listing Rules would provide any additional meaningful information to investors given that it will not in any event be subject to the connected transaction requirements under Chapter 14A of the Hong Kong Listing Rules, and details of its related party transactions are disclosed in the section headed “Related Party Transactions” in this document.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the disclosure requirements under Paragraphs 28(1)(b)(iii), (iv) and (v) of Part A of Appendix 1 to the Hong Kong Listing Rules in respect of the Company’s customers, to the extent not strictly met by the current disclosure in this document.

(1) These shareholders include (1) entities affiliated with Kayne Anderson, and (2) entities affiliated with Comgest Global Investors S.A.S.. For further details, please refer to “Major Shareholders”.