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# 美团

## Meituan

(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 YEAR ENDED DECEMBER 31, 2020

The Board of Directors (the “**Board**”) of Meituan 美团 (the “**Company**”) is pleased to announce the audited consolidated results of the Company for the year ended December 31, 2020. These results have been audited by the Auditor in accordance with International Standards on Auditing, and have also been reviewed by the Audit Committee.

In this announcement, “we,” “us” or “our” refers to the Company.

#### KEY HIGHLIGHTS

##### Financial Summary

	Unaudited Three Months Ended				Year-over-year change
	December 31, 2020		December 31, 2019		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB in thousands, except for percentages)</i>				
Revenues	37,917,504	100.0%	28,158,253	100.0%	34.7%
Operating (loss)/profit	(2,852,696)	(7.5%)	1,423,860	5.1%	(300.3%)
(Loss)/profit for the period	(2,244,292)	(5.9%)	1,460,285	5.2%	(253.7%)
<b>Non-IFRS Measures:</b>					
Adjusted EBITDA	(589,128)	(1.6%)	2,178,650	7.7%	(127.0%)
Adjusted net (loss)/profit	(1,436,520)	(3.8%)	2,270,219	8.1%	(163.3%)

	Year Ended				Year-over-year change
	December 31, 2020		December 31, 2019		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB in thousands, except for percentages)</i>				
Revenues	114,794,510	100.0%	97,528,531	100.0%	17.7%
Operating profit	4,330,102	3.8%	2,679,860	2.7%	61.6%
Profit for the year	4,707,612	4.1%	2,236,165	2.3%	110.5%
<b>Non-IFRS Measures:</b>					
Adjusted EBITDA	4,737,837	4.1%	7,253,634	7.4%	(34.7%)
Adjusted net profit	3,120,605	2.7%	4,656,685	4.8%	(33.0%)

## Financial Information by Segment

	<b>Unaudited</b>		Year-over- year change
	<b>Three Months Ended</b>		
	<b>December 31, 2020</b>	December 31, 2019	
<i>(RMB in thousands, except for percentages)</i>			
<b>Revenues:</b>			
Food delivery	<b>21,537,985</b>	15,715,710	37.0%
In-store, hotel & travel	<b>7,135,360</b>	6,356,945	12.2%
New initiatives and others	<b>9,244,159</b>	6,085,598	51.9%
<b>Total revenues</b>	<b><u>37,917,504</u></b>	<u>28,158,253</u>	34.7%
<b>Operating profit/(loss):</b>			
Food delivery	<b>882,352</b>	482,829	82.7%
In-store, hotel & travel	<b>2,821,935</b>	2,331,277	21.0%
New initiatives and others	<b>(6,002,831)</b>	(1,318,445)	355.3%
Unallocated items <sup>1</sup>	<b>(554,152)</b>	(71,801)	NA
<b>Total operating (loss)/profit</b>	<b><u>(2,852,696)</u></b>	<u>1,423,860</u>	(300.3%)
<b>Year Ended</b>			
	<b>December 31, 2020</b>	December 31, 2019	Year-over- year change
<i>(RMB in thousands, except for percentages)</i>			
<b>Revenues:</b>			
Food delivery	<b>66,265,319</b>	54,843,205	20.8%
In-store, hotel & travel	<b>21,252,398</b>	22,275,472	(4.6%)
New initiatives and others	<b>27,276,793</b>	20,409,854	33.6%
<b>Total revenues</b>	<b><u>114,794,510</u></b>	<u>97,528,531</u>	17.7%
<b>Operating profit/(loss):</b>			
Food delivery	<b>2,833,369</b>	1,415,880	100.1%
In-store, hotel & travel	<b>8,180,933</b>	8,403,293	(2.6%)
New initiatives and others	<b>(10,854,996)</b>	(6,749,149)	60.8%
Unallocated items <sup>1</sup>	<b>4,170,796</b>	(390,164)	NA
<b>Total operating profit</b>	<b><u>4,330,102</u></b>	<u>2,679,860</u>	61.6%

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

## Operating Metrics

### Twelve Months Ended

	December 31, 2020	December 31, 2019	Year-over- year change
	<i>(in millions, except for percentages)</i>		

Number of Transacting Users	510.6	450.5	13.3%
Number of Active Merchants	6.8	6.2	10.1%

*(units, except for percentages)*

Average number of transactions per annual Transacting User	28.1	27.4	2.5%
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### Three Months Ended

	December 31, 2020	December 31, 2019	Year-over- year change
	<i>(in millions, except for percentages)</i>		

Gross Transaction Volume of food delivery	156,287.3	112,138.1	39.4%
Number of food delivery transactions	3,331.3	2,505.3	33.0%
Number of domestic hotel room nights	119.7	110.0	8.8%

### Year Ended

	December 31, 2020	December 31, 2019	Year-over- year change
	<i>(in millions, except for percentages)</i>		

Gross Transaction Volume of food delivery	488,851.2	392,722.5	24.5%
Number of food delivery transactions	10,147.4	8,722.1	16.3%
Number of domestic hotel room nights	354.5	392.5	(9.7%)

## **BUSINESS REVIEW AND OUTLOOK**

### **Company Financial Highlights**

As China's economic recovery accelerated as a result of the effective containment of the COVID-19 pandemic, our businesses recovered steadily during 2020. Total revenues increased by 17.7% year over year to RMB114.8 billion from RMB97.5 billion in 2019. Although the operating loss for new initiatives and others segment expanded as we further accelerated our business expansion efforts to satisfy consumers' growing needs, our food delivery and in-store, hotel & travel segments achieved an aggregate operating profit by segment of RMB11.0 billion in 2020, an increase from RMB9.8 billion in 2019. Both adjusted EBITDA and adjusted net profit experienced negative year-over-year growth and decreased to RMB4.7 billion and RMB3.1 billion in 2020, respectively. Our operating cash flow increased to RMB8.5 billion in 2020 from RMB5.6 billion in 2019. We had cash and cash equivalents of RMB17.1 billion and short-term treasury investments of RMB44.0 billion as of December 31, 2020, compared to the balances of RMB13.4 billion and RMB49.4 billion, respectively, as of December 31, 2019.

### **Company Business Highlights**

#### **Food delivery**

Food delivery became an increasingly essential service throughout the COVID-19 pandemic in 2020. Meanwhile, our strength in consumer base, merchant base and delivery network remained strong and continued to generate powerful network effects during 2020, enabling us to achieve solid growth. In 2020, GTV of our food delivery business increased by 24.5% year over year to RMB488.9 billion. The growth rate for the number of food delivery transactions continued to surge year over year, with the daily average number of food delivery transactions increasing by 16.0% year over year to 27.7 million. The average value per order of our food delivery business increased by 7.0% year over year to RMB48.2. Monetization Rate of our food delivery business decreased to 13.6% from 14.0% in 2019. As a result, revenue increased by 20.8% year over year to RMB66.3 billion. Operating profit from food delivery business increased to RMB2.8 billion in 2020 from RMB1.4 billion in 2019, while operating margin increased to 4.3% from 2.6%. Our solid business performance in 2020 was a testament to our resilient business model and strong execution capabilities.

For the fourth quarter of 2020, GTV of our food delivery business increased by 39.4% year over year to RMB156.3 billion. The daily average number of food delivery transactions increased by 33.0% year over year to 36.2 million. The average value per order of our food delivery business increased by 4.8% year over year to RMB46.9. Monetization Rate of our food delivery business decreased to 13.8% from 14.0% in the same period of 2019. As a result, revenue increased by 37.0% year over year to RMB21.5 billion. Operating profit from our food delivery business increased to RMB882.4 million for the fourth quarter of 2020 from RMB482.8 million for the fourth quarter of 2019, while operating margin increased to 4.1% from 3.1%.

Thanks to our continuous effort to implement our effective food delivery membership program, refine the efficiency of our consumer marketing and operations, and augment the variety and quality of food delivery supplies on our platform, both the demand and supply sides continued to evolve into their next phases of growth during 2020. Lower-tier cities continued to be the main driver of our user growth in 2020, with a majority of new users still from third-tier cities and below. In the fourth quarter, quarterly transacting users and their purchase frequency both achieved healthy growth year over year. Meanwhile, monthly transacting users and their average transaction frequency also reached new highs during the quarter. Our food delivery membership program continued to ramp up the transaction frequency of high-potential consumers, while our monthly average membership subscribers more than doubled year over year. Certain consumption scenarios, such as breakfast, afternoon tea, and night-time snacks, continued to grow at a faster pace than other consumption scenarios such as lunch and dinner in the fourth quarter. Long-distance orders from more than 3 kilometers away also accounted for an ever larger share of our total delivery orders. Our consumer base and transaction frequency growth not only reflects consumers' increasing preferences for food delivery and more consumption scenarios, but also demonstrates consumers' ongoing trust in and recognition of our food delivery services.

On the merchant side, the COVID-19 pandemic accelerated business digitization for more restaurants and made online operation improvement more important to them. Consequently, in 2020, the overall quality of restaurants on our platform improved, while the number of high-quality restaurants on our platform also grew meaningfully. Driven by the upgraded supply, the average value per order of our food delivery business increased by 7% year over year in 2020. Helping merchants accelerate digitalization and improve operations are critically important to us as we strive to better cater to consumers' ever increasing demands and diversified consumption needs. In the fourth quarter, we launched the "New Restaurant Manager" program. Through this program, over the next three years, we plan to discover and train over one million restaurant owners or managers and to help them embrace the trend of digitization while increasing their profitability. By recognizing and solving merchant pain points, we have launched systems for merchant services, merchant growth, and talent training, respectively.

In terms of our delivery network, we faced an unexpected and challenging situation from the outset of the COVID-19 pandemic. Nevertheless, we remained committed to providing delivery riders, consumers, and merchants with the appropriate solutions. During the COVID-19 pandemic, for example, we quickly organized various teams to ensure that our delivery network maintained sufficient capacity. Meanwhile, we rolled out our pioneering "contactless delivery" method and organized nucleic testing for our delivery riders to provide our delivery riders and consumers with better protection. These measures reflected our quick emergency response capabilities as well as the ability of our delivery network to handle unexpected situations. By the end of 2020, a total of 9.5 million delivery riders had earned income on the Meituan platform. Among them, around 2.3 million came from impoverished counties and had therefore been effectively lifted out of poverty through their work with Meituan. Moreover, we launched "Tongzhou Project" in the fourth quarter, which is a project focusing on delivery riders that aims to improve their job security, work experiences, career paths, and social well-being. We also organized numerous discussion panels with our delivery riders to listen to their feedback and better understand their needs and challenges. As we advance into 2021, we will continue to develop this project as our delivery riders' work and personal well-being remains a top priority.

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

Benefitting from the effective containment of the COVID-19 pandemic, local consumption in China experienced a steady recovery, and our in-store, hotel & travel businesses, which were the most impacted businesses in 2020, gradually ramp back up, but has yet to fully recover to normal levels. Revenues from our in-store, hotel & travel businesses decreased by 4.6% year over year to RMB21.3 billion in 2020. Operating profit from our in-store, hotel & travel businesses decreased to RMB8.2 billion in 2020 from RMB8.4 billion in 2019, while operating margin increased to 38.5% from 37.7%.

For the fourth quarter of 2020, revenues from our in-store, hotel & travel businesses increased by 12.2% year over year to RMB7.1 billion, despite the reoccurrence of the COVID-19 pandemic in several cities. Operating profit from our in-store, hotel & travel businesses increased to RMB2.8 billion from RMB2.3 billion for the fourth quarter of 2019, while operating margin increased to 39.5% from 36.7%.

For our in-store dining business, we introduced more options for quality light meal restaurants to our platform during 2020, which helped to further expand our merchant base and increase both orders and revenues. For top national and local chain restaurants, we have designed innovative transaction-based products and supported their unique advertising needs. The number of these types of restaurants significantly increased throughout our ecosystem, with their sales also growing considerably as a result of our tailored services. By optimizing the operation system, we further leverage the merchant base of our food delivery business to expand our in-store dining merchant base. As a result, more high potential restaurants have adopted our in-store marketing products and our platform captured more cross-selling opportunities. For other in-store services, we effectively managed multiple service categories and improved our multi-dimensional operational capabilities in 2020 by correctly identifying the changes in consumer habits and future consumption trends. After the most severe periods of the COVID-19 pandemic, some new categories have proven to be quite popular, such as auto-related services and escape rooms, with both of these categories achieving relatively high year-over-year growth rates in GTV in the period to outpace their pre-pandemic growth. Other critical categories also maintained their high-growth trajectories, including medical aesthetics, healthcare, petcare, and more. For example, our medical aesthetics sales grew by more than 70% year over year in the fourth quarter. Meanwhile, we advanced our operational capabilities and better organized theme-based consumption festivals around holiday seasons, helping to better satisfy consumer demands and encourage local spending during 2020. For example, during the fourth quarter of 2020, we launched a series of promotional campaigns during Mid-Autumn Festival, National Day, Christmas and other festivals, such as “Double 11 Carnival,” “Double 12 Carnival,” “Wedding Festival,” “Mid-Autumn and National Day Food Festival” and more, all of these theme-based promotional campaigns were exceptionally well received by the market.

With respect to our hotel booking business, domestic room nights consumed on our platform declined by 9.7% year over year in 2020 due to the impact from the COVID-19 pandemic. Nonetheless, we took this opportunity to further solidify our advantages in consumer base, domestic supply and execution capabilities. During the year, the pent-up demand for overseas and long-distance domestic travel continued to spill over into domestic travel and weekend trip activity. In the fourth quarter, despite the reoccurrence of the COVID-19 pandemic in several cities hampered the recovery of consumption in these regions, consumer demand for hotel booking services in other cities continued to unleash, with domestic room nights consumed on our platform increasing by 8.8% year over year. We also effectively brought more offline users onto our platform and channeled them into online hotel booking during the quarter. Meanwhile, our platform's high-star hotel supply and bookings both expanded, with high-star hotels accounting for an increasing share of our total hotel supply and our number of high-star hotel room nights accounting for more than 15% of our total room nights in the fourth quarter. Our expansion of five-star hotels was particularly successful as we became an increasingly attractive channel for these hotels to grow their customer bases and sales. Notably, among total domestic room nights consumed on our platform, the number of room nights from five-star hotels increased by more than 110% year over year in the fourth quarter.

### **New initiatives and others**

During 2020, we continued to ramp up our investments in new initiatives, especially in areas that we believed to have promising long-term growth potential and fit well into our “Food + Platform” strategy. Revenues from the new initiatives and others segment increased by 33.6% year over year to RMB27.3 billion in 2020. Operating loss from new initiatives and others segment expanded to RMB10.9 billion 2020 from RMB6.7 billion in 2019, while operating margin decreased 6.7 percentage points year over year. For the fourth quarter of 2020, revenues from the new initiatives and others segment increased by 51.9% year over year to RMB9.2 billion. Operating loss for the segment increased both year over year and quarter over quarter to negative RMB6 billion in the fourth quarter of 2020, while the operating margin decreased to negative 64.9%.

The digitization of the broader local retail industry accelerated during 2020. Retail business has important strategic value to us and was the key investment area. During the fourth quarter, we quickly expanded our community e-commerce model “Meituan Select” in around 2,000 cities and counties. As a result, Meituan Select now covers more than 90% of the cities and counties in China. While this business is still at an early stage, we believe that it can create tremendous value for consumers and up-stream suppliers, including farmers. Through our efforts to build out our supply chain and “next-day” delivery capabilities, this business model provides users with broader SKU selections, much more convenient shopping experience and lower prices, and in turn allows us to acquire vast new user base in less accessible and rural areas. During the fourth quarter, through cooperation with many local governments across the country, we launched the “Agricultural Produce Direct Sourcing” program in some pilot areas such as Yunnan, Jilin, and Guangxi, to source produce directly from farmers to reduce intermediary costs, improve our supply chain efficiency, help farmers generate additional revenues, and lower product prices for consumers. Meanwhile, we also made upfront planning and investment in infrastructure including warehousing and fulfillment during the quarter, to ensure that we can handle large volumes of agricultural products smoothly and deliver them in optimal condition timely even to lower-tier markets. Our marketplace model “Meituan Instashopping” achieved stellar growth as we continued to broaden and diversify merchant base, build out our marketplace capabilities, and convert more food delivery consumers into non-food categories consumers. High-potential verticals, such as flowers, medicine and more, continued to achieve rapid growth as we continued to bring more quality suppliers and merchants online and encourage user consumption through effective marketing. As a result, Meituan Instashopping's daily peak orders reached around 4.5 million in the fourth quarter. For our self-operated model, “Meituan Grocery,” as we continued to increase coverage density across Beijing, Shanghai, Guangzhou and Shenzhen, both the quarterly transacting users and transaction volume grew rapidly during the fourth quarter.

## **Company Outlook for 2021**

Overall, our food delivery and in-store, hotel & travel businesses continued to deliver solid results, demonstrated their unique values and have increasingly become a new infrastructure for peoples' daily life in this challenging year of 2020. We reaffirm our belief that our food delivery and in-store, hotel & travel businesses have a significant runway for future growth and operation optimization over the long term. While our significant investments in new initiatives hampered our overall profitability in 2020, these new initiatives are also creating increasing value for consumers, merchants, our business partners, and the broader society. We remain committed to making investments in big opportunities that are capable of delivering long-term growth and providing consumers and all participants with more value. We believe community e-commerce is one of such big opportunities, and we will allocate sufficient resources to accelerate its development in 2021 while continuously improving its operating efficiency. Increasing investments in new initiatives may continue to cause significant negative impacts on our overall financial results, and the Company may continue to record operating losses in the next few quarters as we ramp up our community e-commerce business. However, we have always focused on long-term growth rather than short-term profits, adhering to a long-term oriented investment philosophy. More importantly, we remain optimistic about the prospects of China's economic development. We believe that our determination to accelerate the digitization and online operation of the boarder industry over the long term will allow us to benefit from the digitization trend and industry growth. As such, we will continue to help merchants enhance operational efficiency across industries through innovations and better services, provide more convenience, as well as quality products and services at affordable cost for consumers, and create more value for the society with the help of technology, fulfilling our mission that "We help people eat better, live better."



## MANAGEMENT DISCUSSION AND ANALYSIS

### Fourth Quarter of 2020 Compared to Fourth Quarter of 2019

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

	<b>Unaudited</b>	
	<b>Three Months Ended</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
	<i>(RMB in thousands)</i>	
<b>Revenues</b>		
Commission	<b>24,373,609</b>	18,357,737
Online marketing services	<b>6,060,683</b>	4,937,769
Interest revenue	<b>252,335</b>	197,759
Other services and sales	<b>7,230,877</b>	4,664,988
	<b>37,917,504</b>	28,158,253
Cost of revenues	<b>(28,461,795)</b>	(18,440,124)
<b>Gross profit</b>	<b>9,455,709</b>	9,718,129
Selling and marketing expenses	<b>(7,675,340)</b>	(5,349,095)
Research and development expenses	<b>(3,249,199)</b>	(2,239,885)
General and administrative expenses	<b>(1,950,943)</b>	(1,232,474)
Net provision for impairment losses on financial assets	<b>(54,187)</b>	(332,004)
Fair value changes on other financial investments at fair value through profit or loss	<b>(661,883)</b>	72,443
Other gains, net	<b>1,283,147</b>	786,746
<b>Operating (loss)/profit</b>	<b>(2,852,696)</b>	1,423,860
Finance income	<b>69,724</b>	53,519
Finance costs	<b>(149,735)</b>	(45,095)
Share of gains of investments accounted for using equity method	<b>117,398</b>	57,646
<b>(Loss)/profit before income tax</b>	<b>(2,815,309)</b>	1,489,930
Income tax credits/(expenses)	<b>571,017</b>	(29,645)
<b>(Loss)/profit for the period</b>	<b>(2,244,292)</b>	1,460,285
<b>Non-IFRS measures:</b>		
Adjusted EBITDA	<b>(589,128)</b>	2,178,650
Adjusted net (loss)/profit	<b>(1,436,520)</b>	2,270,219

## Revenues

Our revenues increased by 34.7% to RMB37.9 billion for the fourth quarter of 2020 from RMB28.2 billion in the same period of 2019. The increase was mainly driven by the solid revenue growth of our food delivery business, the steady recovery of our in-store, hotel & travel businesses, and robust revenue growth of our new initiatives.

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

	Unaudited Three Months Ended December 31, 2020			Total
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	19,058,227	3,581,958	1,733,424	24,373,609
Online marketing services	2,441,964	3,538,844	79,875	6,060,683
Other services and sales (including interest revenue)	37,794	14,558	7,430,860	7,483,212
<b>Total</b>	<b>21,537,985</b>	<b>7,135,360</b>	<b>9,244,159</b>	<b>37,917,504</b>
	Unaudited Three Months Ended December 31, 2019			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	13,963,448	3,203,847	1,190,442	18,357,737
Online marketing services	1,732,259	3,131,896	73,614	4,937,769
Other services and sales (including interest revenue)	20,003	21,202	4,821,542	4,862,747
<b>Total</b>	<b>15,715,710</b>	<b>6,356,945</b>	<b>6,085,598</b>	<b>28,158,253</b>

Our revenues from the food delivery segment increased by 37.0% to RMB21.5 billion for the fourth quarter of 2020 from RMB15.7 billion for the same period of 2019. Commission revenue increased by 36.5% to RMB19.1 billion as a result of the increase in Gross Transaction Volume mainly driven by the increase in order volume by 33.0% under the combined effect of the increase in Transacting User base and their purchase frequency, as we continuously improved our food delivery membership program to enlarge the member scale and carried out more marketing campaigns in different channels to stimulate consumption. Online marketing services revenue increased by 41.0% to RMB2.4 billion as a result of the increase in Active Merchants using our online marketing services due to their growing willingness to acquire online traffic.

Our revenues from the in-store, hotel & travel segment increased by 12.2% to RMB7.1 billion for the fourth quarter of 2020 from RMB6.4 billion for the same period of 2019. Commission revenue increased by 11.8% to RMB3.6 billion due to the increase in Gross Transaction Volume driven by increased Active Merchants and consumers' growing in-store consumption demands. Online marketing services revenue increased by 13.0% to RMB3.5 billion due to the increase in the number of online marketing Active Merchants.

Our revenues from the new initiatives and others segment increased by 51.9% to RMB9.2 billion for the fourth quarter of 2020 from RMB6.1 billion for the same period of 2019, mainly due to the increase in revenues from the retail businesses, B2B food distribution services and ride-sharing services as we expanded these businesses to satisfy consumers' growing needs.

### ***Costs and Expenses***

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

	<b>Unaudited</b>				
	<b>Three Months Ended</b>				
	<b>December 31, 2020</b>		<b>December 31, 2019</b>		<b>Year-over-year change</b>
<b>Amount</b>	<b>As a percentage of revenues</b>	<b>Amount</b>	<b>As a percentage of revenues</b>		
	<i>(RMB in thousands, except for percentages)</i>				
<b>Costs and Expenses:</b>					
Cost of revenues	<b>28,461,795</b>	<b>75.1%</b>	18,440,124	65.5%	54.3%
Selling and marketing expenses	<b>7,675,340</b>	<b>20.2%</b>	5,349,095	19.0%	43.5%
Research and development expenses	<b>3,249,199</b>	<b>8.6%</b>	2,239,885	8.0%	45.1%
General and administrative expenses	<b>1,950,943</b>	<b>5.1%</b>	1,232,474	4.4%	58.3%
Net provision for impairment losses on financial assets	<b>54,187</b>	<b>0.1%</b>	332,004	1.2%	(83.7%)

### ***Cost of Revenues***

Our cost of revenues increased by 54.3% to RMB28.5 billion for the fourth quarter of 2020 from RMB18.4 billion in the same period of 2019, and increased by 9.6 percentage points to 75.1% from 65.5% as a percentage of revenues on a year-over-year basis. The increase in amount primarily attributable to the increased food delivery rider costs in line with the increase of the order volume, and more expenditures for our new initiatives such as cost of goods sold. At the same time, more investments in new initiatives with lower gross margin resulted in the increase as a percentage of revenues on a year-over-year basis.

### ***Selling and Marketing Expenses***

Our selling and marketing expenses was RMB7.7 billion for the fourth quarter of 2020 and RMB5.3 billion for the same period of 2019, and increased by 1.2 percentage points to 20.2% from 19.0% as a percentage of revenues on a year-over-year basis. The increase was primarily attributable to the increase in Transacting User incentives because of the enlarged food delivery membership subscribers base and the rapid growth of some of our new initiatives, and the increase in promotion and advertising expenses mainly driven by our enlarged branding and promotional campaigns to enhance our brand recognition and stimulate user growth and consumption.

### ***Research and Development Expenses***

Our research and development expenses increased to RMB3.2 billion for the fourth quarter of 2020 from RMB2.2 billion in the same period of 2019, and increased by 0.6 percentage points to 8.6% from 8.0% as a percentage of revenues on a year-over-year basis. The increase in both amount and as a percentage of revenues were mainly driven by the increased number of employees due to our businesses expansion, higher average salary and the increase in share-based compensation.

### ***General and Administrative Expenses***

Our general and administrative expenses increased to RMB2.0 billion for the fourth quarter of 2020 from RMB1.2 billion in the same period of 2019, and increased by 0.7 percentage points to 5.1% from 4.4% as a percentage of revenues on a year-over-year basis. The increase in both amount and as a percentage of revenues was primarily attributable to the increase in employee benefits expenses due to the increased number of employees, higher average salary, and the increase in share-based compensation.

### ***Net Provision for Impairment Losses on Financial Assets***

Our net provision for impairment losses on financial assets decreased to RMB54.2 million for the fourth quarter of 2020 from RMB332.0 million in the same period of 2019, and decreased by 1.1 percentage points to 0.1% from 1.2% as a percentage of revenues, primarily due to decreased impairment provision for financial assets, such as loan receivables, prepayments, and other receivables.

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

Our loss in fair value changes on other financial investments at fair value through profit or loss was negative RMB661.9 million for the fourth quarter of 2020, compared with a gain of RMB72.4 million in the same period of 2019. This was primarily due to the fair value changes in our investments in listed entities.

### ***Other Gains, Net***

Our other gains, net for the fourth quarter of 2020 increased by RMB496.4 million to RMB1.3 billion compared to the same period of 2019, which was primarily due to an RMB852.9 million increase in dilution gain, partially offset by increased foreign exchange losses, the decreased tax return and preference and the decrease in gains from treasury investments.

### ***Operating (Loss)/Profit***

As a result of the foregoing, our operating loss and margin for the fourth quarter of 2020 was negative RMB2.9 billion and negative 7.5% respectively, compared to operating profit of RMB1.4 billion and 5.1% in the same period of 2019.

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

	<b>Unaudited</b>				
	<b>Three Months Ended</b>				
	<b>December 31, 2020</b>		<b>December 31, 2019</b>		<b>Year-over-year change</b>
<b>Amount</b>	<b>As a percentage of revenues</b>	<b>Amount</b>	<b>As a percentage of revenues</b>		
	<i>(RMB in thousands, except for percentages)</i>				
Food delivery	882,352	4.1%	482,829	3.1%	82.7%
In-store, hotel & travel	2,821,935	39.5%	2,331,277	36.7%	21.0%
New initiatives and others	(6,002,831)	(64.9%)	(1,318,445)	(21.7%)	355.3%
Unallocated items	(554,152)	NA	(71,801)	NA	NA
<b>Total operating (loss)/profit</b>	<b>(2,852,696)</b>	<b>(7.5%)</b>	<b>1,423,860</b>	<b>5.1%</b>	<b>(300.3%)</b>

Our operating profit from the food delivery segment increased to RMB882.4 million for the fourth quarter of 2020 from RMB482.8 million for the same period of 2019, mainly driven by the growth in gross profit due to increased food delivery business scale and average value per order, partially offset by the increase in operating expenses resulted from the revenues growth and higher user subsidies. Our operating margin for this segment increased by 1.0 percentage points to 4.1% from 3.1% on a year-over-year basis due to the increase in average value per order offset by lower Monetization Rate and higher user subsidy ratio.

Our operating profit from the in-store, hotel & travel segment increased by 21.0% to RMB2.8 billion for the fourth quarter of 2020 from RMB2.3 billion for the same period of 2019. The increase was mainly due to the increase in revenue, partially offset by the increase in employee benefits expenses and other outsourcing labor costs. Our operating margin for this segment increased by 2.8 percentage points to 39.5% from 36.7% on a year-over-year basis, mainly due to the improved marketing and online traffic acquisition efficiency, partially offset by the increased offline promotion expenses.

Our operating loss from the new initiatives and others segment expanded to negative RMB6.0 billion for the fourth quarter of 2020 from negative RMB1.3 billion for the same period of 2019, which was primarily attributable to (i) the rapid expansion in operating loss of our retail businesses, (ii) the increase in operating loss of our ride-sharing services resulted from the heavy depreciation costs due to the launch of new bikes and electric mopeds, (iii) the increase in some expenditures in research and development of advanced technologies, and (iv) partially offset by the decrease in operating loss from our restaurant management systems. As a result of foregoing, our operating margin for this segment decreased by 43.2 percentage points to negative 64.9% from negative 21.7% on a year-over-year basis.

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

Primarily as a result of the foregoing, our loss before income tax for the fourth quarter of 2020 was negative RMB2.8 billion, compared to a profit before income tax of RMB1.5 billion in the same period of 2019.

#### ***Income Tax Credits/(Expenses)***

We had income tax credits of RMB571.0 million for the fourth quarter of 2020, compared to income tax expenses of RMB29.6 million in the same period of 2019, primarily due to the taxable income position turned to tax loss position as a result of business expansion.

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

As a result of the foregoing, we had a loss of negative RMB2.2 billion for the fourth quarter of 2020, compared to a profit of RMB1.5 billion for the same period of 2019.

## Fourth Quarter of 2020 Compared to Third Quarter of 2020

The following table sets forth the comparative figures for the fourth quarter of 2020 and the third quarter of 2020:

	<b>Unaudited</b>	
	<b>Three Months Ended</b>	
	<b>December 31,</b>	<b>September 30,</b>
	<b>2020</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	
<b>Revenues</b>		
Commission	<b>24,373,609</b>	23,128,278
Online marketing services	<b>6,060,683</b>	5,659,942
Interest revenue	<b>252,335</b>	218,687
Other services and sales	<b>7,230,877</b>	6,394,375
	<b>37,917,504</b>	35,401,282
Cost of revenues	<b>(28,461,795)</b>	(24,578,273)
<b>Gross profit</b>	<b>9,455,709</b>	10,823,009
Selling and marketing expenses	<b>(7,675,340)</b>	(5,835,574)
Research and development expenses	<b>(3,249,199)</b>	(2,970,120)
General and administrative expenses	<b>(1,950,943)</b>	(1,415,119)
Net provision for impairment losses on financial assets	<b>(54,187)</b>	(130,285)
Fair value changes on other financial investments at fair value through profit or loss	<b>(661,883)</b>	5,779,364
Other gains, net	<b>1,283,147</b>	472,408
<b>Operating (loss)/profit</b>	<b>(2,852,696)</b>	6,723,683
Finance income	<b>69,724</b>	45,678
Finance costs	<b>(149,735)</b>	(111,506)
Share of gains of investments accounted for using equity method	<b>117,398</b>	92,698
<b>(Loss)/profit before income tax</b>	<b>(2,815,309)</b>	6,750,553
Income tax credits/(expenses)	<b>571,017</b>	(429,552)
<b>(Loss)/profit for the period</b>	<b>(2,244,292)</b>	6,321,001
<b>Non-IFRS measures:</b>		
Adjusted EBITDA	<b>(589,128)</b>	2,675,399
Adjusted net (loss)/profit	<b>(1,436,520)</b>	2,054,996

## Revenues

Our revenues increased by 7.1% to RMB37.9 billion for the fourth quarter of 2020 from RMB35.4 billion for the third quarter of 2020. All business segments achieved growth on a quarter-over-quarter basis as we strengthened our food delivery and in-store, hotel & travel businesses while continuously developing new initiatives.

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

	Unaudited			Total
	Three Months Ended December 31, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	19,058,227	3,581,958	1,733,424	24,373,609
Online marketing services	2,441,964	3,538,844	79,875	6,060,683
Other services and sales (including interest revenue)	37,794	14,558	7,430,860	7,483,212
<b>Total</b>	<b>21,537,985</b>	<b>7,135,360</b>	<b>9,244,159</b>	<b>37,917,504</b>

	Unaudited			Total
	Three Months Ended September 30, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	18,251,171	3,321,348	1,555,759	23,128,278
Online marketing services	2,407,888	3,147,357	104,697	5,659,942
Other services and sales (including interest revenue)	33,757	9,373	6,569,932	6,613,062
<b>Total</b>	<b>20,692,816</b>	<b>6,478,078</b>	<b>8,230,388</b>	<b>35,401,282</b>

Our revenues from the food delivery segment increased by 4.1% to RMB21.5 billion for the fourth quarter of 2020 from RMB20.7 billion for the third quarter of 2020, as a result of the increase in the order volume by 3.7%.



Our revenues from the in-store, hotel & travel segment increased by 10.1% to RMB7.1 billion for the fourth quarter of 2020 from RMB6.5 billion for the third quarter of 2020. Commission revenue increased by 7.8% to RMB3.6 billion, which was primarily attributable to the recovery of consumption in hotel and in-store businesses affected by both effective control of the COVID-19 pandemic domestically and year-end holiday season. Online marketing service revenue increased by 12.4% to RMB3.5 billion due to the increase in the number of online marketing Active Merchants and the average revenue per online marketing Active Merchants, as a result of their growing willingness to acquire online traffic during the holidays and innovative products and services we offered to certain merchants.

Our revenues from the new initiatives and others segment increased by 12.3% to RMB9.2 billion for the fourth quarter of 2020 from RMB8.2 billion for the third quarter of 2020, which was primarily due to the increase in the revenues from the B2B food distribution services and retail businesses as a result of business expansion.

### ***Costs and Expenses***

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

	<b>Unaudited</b>				
	<b>Three Months Ended</b>				
	<b>December 31, 2020</b>	<b>September 30, 2020</b>			
<b>Amount</b>	<b>As a percentage of revenues</b>	<b>Amount</b>	<b>As a percentage of revenues</b>	<b>Quarter-over- quarter change</b>	
<i>(RMB in thousands, except for percentages)</i>					
<b>Costs and Expenses:</b>					
Cost of revenues	<b>28,461,795</b>	<b>75.1%</b>	24,578,273	69.4%	15.8%
Selling and marketing expenses	<b>7,675,340</b>	<b>20.2%</b>	5,835,574	16.5%	31.5%
Research and development expenses	<b>3,249,199</b>	<b>8.6%</b>	2,970,120	8.4%	9.4%
General and administrative expenses	<b>1,950,943</b>	<b>5.1%</b>	1,415,119	4.0%	37.9%
Net provision for impairment losses on financial assets	<b>54,187</b>	<b>0.1%</b>	130,285	0.4%	(58.4%)

### ***Cost of Revenues***

Our cost of revenues increased by 15.8% to RMB28.5 billion for the fourth quarter of 2020 from RMB24.6 billion for the third quarter of 2020, and increased by 5.7 percentage points to 75.1% from 69.4% as a percentage of revenues. The increase in amount was mainly attributable to our continuously investments in our new initiatives and the increased food delivery rider costs due to the increase of order volume and seasonal incentives to food delivery riders. The increase as a percentage of revenues on a quarter-over-quarter basis mainly resulted from the rapid expansion of our retail businesses in their early stage.

### ***Selling and Marketing Expenses***

Our selling and marketing expenses increased to RMB7.7 billion for the fourth quarter of 2020 from RMB5.8 billion for the third quarter of 2020, and increased by 3.7 percentage points to 20.2% from 16.5% as a percentage of revenues on a quarter-over-quarter basis. The increase was primarily attributable to the increase in Transacting User incentives due to seasonal marketing campaigns for all business segments, and increased promotion and advertising expenses due to our enlarged branding and promotional campaigns to enhance our brand recognition and stimulate user growth and consumption.

### ***Research and Development Expenses***

Our research and development expenses increased to RMB3.2 billion for the fourth quarter of 2020 from RMB3.0 billion for the third quarter of 2020, and increased by 0.2 percentage points to 8.6% from 8.4% as a percentage of revenues. The increase in both amount and as a percentage of revenues was primarily attributable to the increased number of employees due to our new businesses expansion, higher average salary and the increase in share-based compensation.

### ***General and Administrative Expenses***

Our general and administrative expenses increased to RMB2.0 billion for the fourth quarter of 2020 from RMB1.4 billion for the third quarter of 2020, and increased by 1.1 percentage points to 5.1% from 4.0% as a percentage of revenues. The increase in both amount and as a percentage of revenues was primarily attributable to the increase in employee benefits expenses due to the increased number of employees, higher average salary, and the increase in share-based compensation.

### ***Net Provision for Impairment Losses on Financial Assets***

Our net provision for impairment losses on financial assets decreased to RMB54.2 million for the fourth quarter of 2020 from RMB130.3 million for the third quarter of 2020, and decreased by 0.3 percentage points to 0.1% from 0.4% as a percentage of revenues, which was primarily due to the decreased impairment provision for loan receivables.

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

Our loss in fair value changes on other financial investments at fair value through profit or loss was negative RMB661.9 million for the fourth quarter of 2020, compared to a gain of RMB5.8 billion for the third quarter of 2020. This was primarily due to the fair value changes in our investments in listed entities.

### ***Other Gains, Net***

Our other gains, net for the fourth quarter of 2020 increased by RMB810.7 million to RMB1.3 billion compared to the third quarter of 2020, which was mainly attributable to an RMB852.9 million of dilution gain.

### ***Operating (Loss)/Profit***

As a result of the foregoing, our operating loss for the fourth quarter of 2020 was negative RMB2.9 billion, compared to an operating profit of RMB6.7 billion for the third quarter of 2020.

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

	Unaudited		Three Months Ended		Quarter-over-quarter change
	December 31, 2020		September 30, 2020		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
<i>(RMB in thousands, except for percentages)</i>					
Food delivery	882,352	4.1%	768,477	3.7%	14.8%
In-store, hotel & travel	2,821,935	39.5%	2,787,256	43.0%	1.2%
New initiatives and others	(6,002,831)	(64.9%)	(2,028,909)	(24.7%)	195.9%
Unallocated items	(554,152)	NA	5,196,859	NA	(110.7%)
<b>Total operating (loss)/profit</b>	<b>(2,852,696)</b>	<b>(7.5%)</b>	<b>6,723,683</b>	<b>19.0%</b>	<b>(142.4%)</b>

Our operating profit from the food delivery segment increased to RMB882.4 million for the fourth quarter of 2020 from RMB768.5 million for the third quarter of 2020, which was mainly attributable to the growth in gross profit due to the increase in food delivery business scale, partially offset by the increased expenditures of user subsidies and marketing campaigns to drive the revenues growth. The operating margin for this segment increased to 4.1% from 3.7% on a quarter-over-quarter basis due to improved Monetization Rate as a result of the order mix change.

Our operating profit from the in-store, hotel & travel segment remained stable of RMB2.8 billion for the fourth quarter of 2020. The operating margin for this segment decreased by 3.5 percentage points to 39.5% on a quarter-over-quarter basis mainly due to the increased expenditure on promotion and advertising, partially offset by the improved operation efficiency.

Our operating loss from the new initiatives and others segment expanded to negative RMB6.0 billion for the fourth quarter of 2020 from negative RMB2.0 billion for the third quarter of 2020, and the operating margin for this segment decreased by 40.2 percentage points to negative 64.9% from negative 24.7% on a quarter-over-quarter basis. The significant negative impact on both amount and as a percentage of revenues was primarily attributable to (i) the increase in operating loss from the retail businesses driven by our rapid business expansion, and (ii) the increase in operating loss from our ride-sharing services affected by both lower turnover rate due to bad weather conditions and heavier depreciation costs due to massive assets purchase in the second half of 2020.

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

Primarily as a result of the foregoing, our loss before income tax for the fourth quarter of 2020 was negative RMB2.8 billion, compared to a profit before income tax of RMB6.8 billion for the third quarter of 2020.

#### ***Income Tax Credits/(Expenses)***

We had income tax credits of RMB571.0 million for the fourth quarter of 2020, compared to income tax expenses of RMB429.6 million for the third quarter of 2020, primarily due to the taxable income position turned to tax loss position as a result of business expansion.

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

As a result of the foregoing, we had a loss of negative RMB2.2 billion for the fourth quarter of 2020, compared to a profit of RMB6.3 billion for the third quarter of 2020.

## Year ended December 31, 2020 Compared to Year ended December 31, 2019

The following table sets forth the comparative figures for the years ended December 31, 2019 and 2020:

	<b>Year Ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<i>(RMB in thousands)</i>	
<b>Revenues</b>		
Commission	<b>74,213,352</b>	65,525,997
Online marketing services	<b>18,908,045</b>	15,840,078
Interest revenue	<b>884,897</b>	786,032
Other services and sales	<b>20,788,216</b>	15,376,424
	<b>114,794,510</b>	97,528,531
Cost of revenues	<b>(80,744,368)</b>	(65,208,143)
<b>Gross profit</b>	<b>34,050,142</b>	32,320,388
Selling and marketing expenses	<b>(20,882,685)</b>	(18,819,067)
Research and development expenses	<b>(10,892,514)</b>	(8,445,664)
General and administrative expenses	<b>(5,593,895)</b>	(4,338,954)
Net provision for impairment losses on financial assets	<b>(467,690)</b>	(645,685)
Fair value changes on other financial investments at fair value through profit or loss	<b>4,955,909</b>	77,699
Other gains, net	<b>3,160,835</b>	2,531,143
<b>Operating profit</b>	<b>4,330,102</b>	2,679,860
Finance income	<b>213,684</b>	166,217
Finance costs	<b>(370,016)</b>	(191,042)
Share of gains of investments accounted for using equity method	<b>264,105</b>	107,353
<b>Profit before income tax</b>	<b>4,437,875</b>	2,762,388
Income tax credits/(expenses)	<b>269,737</b>	(526,223)
<b>Profit for the year</b>	<b>4,707,612</b>	2,236,165
<b>Non-IFRS measures:</b>		
Adjusted EBITDA	<b>4,737,837</b>	7,253,634
Adjusted net profit	<b>3,120,605</b>	4,656,685

## Revenues

Our revenues increased by 17.7% to RMB114.8 billion in 2020 from RMB97.5 billion in 2019. The increase was primarily due to solid revenue growth of our food delivery business and business expansion in our new initiatives, especially retail businesses to meet various demands of both consumers and merchants.

The following table sets forth our revenues by segment and type in absolute amount in 2020 and 2019:

	Year Ended December 31, 2020			Total
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	58,592,036	10,193,162	5,428,154	74,213,352
Online marketing services	7,565,111	11,018,337	324,597	18,908,045
Other services and sales (including interest revenue)	108,172	40,899	21,524,042	21,673,113
<b>Total</b>	<b>66,265,319</b>	<b>21,252,398</b>	<b>27,276,793</b>	<b>114,794,510</b>
	<i>(RMB in thousands)</i>			
	Year Ended December 31, 2019			Total
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
<b>Revenues</b>				
Commission	49,646,589	11,679,344	4,200,064	65,525,997
Online marketing services	5,103,794	10,516,428	219,856	15,840,078
Other services and sales (including interest revenue)	92,822	79,700	15,989,934	16,162,456
<b>Total</b>	<b>54,843,205</b>	<b>22,275,472</b>	<b>20,409,854</b>	<b>97,528,531</b>

Our revenues from the food delivery segment increased by 20.8% to RMB66.3 billion in 2020 from RMB54.8 billion in 2019. Commission revenue increased by 18.0% to RMB58.6 billion on a year-over-year basis as a result of the increase in GTV by 24.5%, which was primarily attributable to (i) the increase in order volume by 16.3% due to the acquisition of new users, promotion of food delivery membership program and development of various consumption scenarios, and (ii) the increase in average value per order by 7.0% because of higher portion of orders from branded merchants on our platform. Online marketing services revenue increased by 48.2% to RMB7.6 billion primarily due to the increase in the number of Active Merchants and their average marketing expenditure due to their growing willingness to acquire more online traffic.

Our revenues from the in-store, hotel & travel segment decreased by 4.6% to RMB21.3 billion in 2020 from RMB22.3 billion in 2019. Commission revenue decreased by 12.7% to RMB10.2 billion mainly due to the decreased consumption in hotel & travel businesses due to the COVID-19 pandemic. Online marketing service revenue increased by 4.8% to RMB11.0 billion driven by the increase in the number of online marketing Active Merchants of our in-store business.

Our revenues from the new initiatives and others segment increased by 33.6% to RMB27.3 billion in 2020 from RMB20.4 billion in 2019 mainly due to the increase in revenues from the retail businesses, B2B food distribution services and ride-sharing services as we expanded these businesses to satisfy consumers' growing needs.

### ***Costs and Expenses***

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

	Year Ended		December 31, 2019	As a percentage of revenues	Year-over- year change
	December 31, 2020	Amount			
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
<i>(RMB in thousands, except for percentages)</i>					
<b>Costs and Expenses:</b>					
Cost of revenues	<b>80,744,368</b>	<b>70.3%</b>	65,208,143	66.9%	23.8%
Selling and marketing expenses	<b>20,882,685</b>	<b>18.2%</b>	18,819,067	19.3%	11.0%
Research and development expenses	<b>10,892,514</b>	<b>9.5%</b>	8,445,664	8.7%	29.0%
General and administrative expenses	<b>5,593,895</b>	<b>4.9%</b>	4,338,954	4.4%	28.9%
Net provision for impairment losses on financial assets	<b>467,690</b>	<b>0.4%</b>	645,685	0.7%	(27.6%)

### ***Cost of Revenues***

Our cost of revenues increased by 23.8% to RMB80.7 billion in 2020 from RMB65.2 billion in 2019 and increased by 3.4 percentage points to 70.3% from 66.9% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to the increase in food delivery rider costs in line with the increase of order volume, and more expenditures for our new initiatives such as cost of goods sold. At the same time, more investments in new initiatives with lower gross margin resulted in the increase as a percentage of revenues on a year-over-year basis.

### ***Selling and Marketing Expenses***

Our selling and marketing expenses increased by RMB2.1 billion to RMB20.9 billion in 2020 from RMB18.8 billion in 2019, and decreased by 1.1 percentage points to 18.2% from 19.3% as a percentage of revenues on a year-over-year basis. The increase in amount was primarily attributable to the increase in promotion and advertising expenses mainly driven by our enlarged branding and promotional campaigns to enhance our brand recognition and stimulate user growth and consumption, and the increase in employee benefits expenses mainly due to increased number of employees as a result of our new business expansion and higher average salary. The total Transacting User incentives kept stable on a year-over-year basis, which resulted in the decrease of selling and marketing expenses as a percentage of revenues in 2020.

### ***Research and Development Expenses***

Our research and development expenses increased to RMB10.9 billion in 2020 from RMB8.4 billion in 2019, and increased by 0.8 percentage points to 9.5% from 8.7% as a percentage of revenues. The increase in both amount and as a percentage of revenues was mainly driven by the increased number of employees due to our businesses expansion, higher average salary and the increase in share-based compensation.

### ***General and Administrative Expenses***

Our general and administrative expenses increased to RMB5.6 billion in 2020 from RMB4.3 billion in 2019, and increased by 0.5 percentage points to 4.9% from 4.4% as a percentage of revenues. The increase in both amount and as a percentage of revenues was primarily attributable to the increase in employee benefits expenses due to the increased number of employees, higher average salary, and the increase in share-based compensation.



### *Net Provision for Impairment Losses on Financial Assets*

Our net provision for impairment losses on financial assets decreased to RMB467.7 million in 2020 from RMB645.7 million in 2019, and decreased by 0.3 percentage points to 0.4% from 0.7% as a percentage of revenues primarily due to the decreased impairment provision for financial assets.

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

Our gain in fair value changes on other financial investments at fair value through profit or loss was RMB5.0 billion in 2020, compared with a gain of RMB77.7 million in 2019. This was primarily due to the fair value changes in our investments in listed entities.

### *Other Gains, Net*

Our other gains, net in 2020 increased by RMB629.7 million to RMB3.2 billion compared to the year of 2019. The increase was primarily due to the increase in tax return and preference and dilution gain, partially offset by the decrease in gains from treasury investments and disposal and remeasurement of equity investments.

### *Operating Profit*

As a result of the foregoing, our operating profit and margin in 2020 was RMB4.3 billion and 3.8%, respectively, compared to RMB2.7 billion and 2.7% in 2019.

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

	December 31, 2020		Year Ended December 31, 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>				
Food delivery	2,833,369	4.3%	1,415,880	2.6%	100.1%
In-store, hotel & travel	8,180,933	38.5%	8,403,293	37.7%	(2.6%)
New initiatives and others	(10,854,996)	(39.8%)	(6,749,149)	(33.1%)	60.8%
Unallocated items	4,170,796	NA	(390,164)	NA	NA
<b>Total operating profit</b>	<b>4,330,102</b>	<b>3.8%</b>	<b>2,679,860</b>	<b>2.7%</b>	<b>61.6%</b>

Our operating profit from the food delivery segment increased to RMB2.8 billion in 2020 from RMB1.4 billion in 2019, mainly driven by the expansion of business scale, higher average value per order and improved operating efficiency, partially offset by the increase in food delivery rider costs and employee benefits expenses. Our operating margin for this segment increased by 1.7 percentage points to 4.3% from 2.6% on a year-over-year basis mainly due to higher average value per order and improved operating efficiency, offset by higher delivery cost and other cost per order.

Our operating profit from the in-store, hotel & travel segment decreased by 2.6% to RMB8.2 billion in 2020 from RMB8.4 billion in 2019, mainly due to the decrease in revenue and the increase in employee benefits expenses, partially offset by the decrease in Transacting User incentives. Our operating margin for this segment increased by 0.8 percentage points to 38.5% from 37.7% on a year-over-year basis mainly due to the improved online traffic acquisition efficiency.

Our operating loss from the new initiatives and others segment expanded to negative RMB10.9 billion in 2020 from negative RMB6.7 billion in 2019, which was primarily attributable to (i) the increase in operating loss of our retail businesses, driven by rapid business expansion, and (ii) the increase in loss from some new initiatives, partially offset by the decrease in operating loss from our restaurant management systems. Our operating margin for this segment decreased by 6.7 percentage points to negative 39.8% from negative 33.1% on a year-over-year basis, which was primarily attributable to the rapid expansion of our retail businesses.

### ***Profit before Income Tax***

Primarily as a result of the foregoing, our profit before income tax in 2020 was RMB4.4 billion, compared to a profit before income tax of RMB2.8 billion in 2019.

### ***Income Tax Credits/(Expenses)***

We had income tax credits of RMB269.7 million in 2020, compared to income tax expenses of RMB526.2 million in 2019, primarily due to the increased tax losses in 2020.

### ***Profit for the Year***

As a result of the foregoing, we had a profit of RMB4.7 billion in 2020, compared to a profit of RMB2.2 billion in 2019.

### **Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures**

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

The following tables set forth the reconciliations of our non-IFRS measures for the fourth quarter of 2020 and 2019, the third quarter of 2020 and the years ended December 31, 2020 and 2019, to the nearest measures prepared in accordance with IFRS.

	<b>Unaudited Three Months Ended</b>		
	<b>December 31, 2020</b>	December 31, 2019	September 30, 2020
	<i>(RMB in thousands)</i>		
(Loss)/profit for the period	<b>(2,244,292)</b>	1,460,285	6,321,001
Adjusted for:			
Share-based compensation expenses	<b>1,041,671</b>	700,133	838,709
Fair value gains on investments <sup>(1)</sup>	<b>(191,031)</b>	(72,443)	(5,779,364)
Gains on disposal of investments and subsidiaries	–	(43,889)	–
Impairment of goodwill	–	–	58,166
Amortization of intangible assets resulting from acquisitions	<b>133,007</b>	165,547	160,857
Impairment and expense provision/(reversal) for Mobike restructuring plan	<b>738</b>	7,977	(2,819)
Net provision for impairment losses on financial assets	–	57,333	–
Tax effects on non-IFRS adjustments	<b>(176,613)</b>	(4,724)	458,446
<b>Adjusted net (loss)/profit</b>	<b>(1,436,520)</b>	2,270,219	2,054,996
Adjusted for:			
Income tax (credits)/expenses, except for tax effects on non-IFRS adjustments	<b>(394,404)</b>	34,369	(28,894)
Share of gains of investments accounted for using equity method	<b>(117,398)</b>	(57,646)	(92,698)
Finance income	<b>(69,724)</b>	(53,519)	(45,678)
Finance costs	<b>149,735</b>	45,095	111,506
Other gains except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	<b>(430,233)</b>	(742,857)	(472,408)
Amortization of software and others	<b>75,597</b>	135,776	75,060
Depreciation on property, plant and equipment	<b>1,633,819</b>	547,213	1,073,515
<b>Adjusted EBITDA</b>	<b>(589,128)</b>	2,178,650	2,675,399

<sup>(1)</sup> Represents gains 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.

	<b>Year Ended</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<i>(RMB in thousands)</i>	
Profit for the year	<b>4,707,612</b>	2,236,165
Adjusted for:		
Share-based compensation expenses	<b>3,277,476</b>	2,190,871
Fair value gains on investments <sup>(1)</sup>	<b>(5,809,527)</b>	(169,059)
Gains on disposal of investments and subsidiaries	–	(201,061)
Gains from the remeasurement of investments	–	(176,880)
Impairment of goodwill	<b>58,166</b>	–
Amortization of intangible assets resulting from acquisitions	<b>615,578</b>	662,190
Impairment and expense (reversal)/provision for Mobike restructuring plan	<b>(5,272)</b>	88,612
Net provision for impairment losses on financial assets	–	57,333
Tax effects on non-IFRS adjustments	<b>276,572</b>	(31,486)
<b>Adjusted net profit</b>	<b>3,120,605</b>	4,656,685
Adjusted for:		
Income tax (credits)/expenses, except for tax effects on non-IFRS adjustments	<b>(546,309)</b>	557,709
Share of gains of investments accounted for using equity method	<b>(264,105)</b>	(107,353)
Finance income	<b>(213,684)</b>	(166,217)
Finance costs	<b>370,016</b>	191,042
Other gains except for (gains)/losses related to fair value change, disposal and remeasurement of investments and subsidiaries	<b>(2,307,217)</b>	(2,061,842)
Amortization of software and others	<b>375,908</b>	528,817
Depreciation on property, plant and equipment	<b>4,202,623</b>	3,654,793
<b>Adjusted EBITDA</b>	<b>4,737,837</b>	7,253,634

<sup>(1)</sup> Represents gains 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.

## 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 RMB17.1 billion and short-term treasury investments of RMB44.0 billion as of December 31, 2020, compared to the balance of RMB13.4 billion and RMB49.4 billion as of December 31, 2019.

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

	<b>Year Ended</b>	
	<b>December 31, 2020</b>	December 31, 2019
	<i>(RMB in thousands)</i>	
Net cash generated from operating activities	<b>8,475,013</b>	5,574,220
Net cash used in investing activities	<b>(21,232,004)</b>	(10,174,018)
Net cash generated from financing activities	<b>17,418,081</b>	1,114,267
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,661,090</b>	(3,485,531)
Cash and cash equivalents at the beginning of the year	<b>13,396,185</b>	17,043,692
Exchange loss on cash and cash equivalents	<b>(963,716)</b>	(173,442)
Cash and cash equivalents reclassified from the assets classified as held for sale	—	11,466
<b>Cash and cash equivalents at the end of the year</b>	<b><u>17,093,559</u></b>	<b><u>13,396,185</u></b>

### ***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 year, as adjusted by non-cash items and changes in working capital.

For the year ended December 31, 2020, net cash generated from operating activities was RMB8.5 billion, which was primarily attributable to our profit before income tax, as adjusted by (i) depreciation and amortization and share-based payments, partially offset by fair value changes on other financial investments at fair value through profit or loss and dividend income and interest classified as investing cash flows, and (ii) changes in working capital, which primarily comprised an increase in trade payables, other payables and accruals and payables to merchants, partially offset by an increase in restricted cash and prepayments, deposits and other assets.

### ***Net Cash Used in Investing Activities***

For the year ended December 31, 2020, net cash used in investing activities was RMB21.2 billion, which was mainly attributable to purchase of property, plant and equipment, land use rights, and investments in some listed or unlisted entities, partially offset by net cash generated from treasury investments.

### ***Net Cash Generated from Financing Activities***

For the year ended December 31, 2020, net cash generated from financing activities was RMB17.4 billion, which was mainly attributable to issuance of notes payable and proceeds from borrowings, partially offset by repayments of borrowings and lease payments.

### ***Gearing ratio***

As of December 31, 2020, our gearing ratio, calculated as total borrowings and notes payable divided by equity attributable to equity holders of the Company, was approximately 22%.

## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Year ended December 31,	
		2020	2019
<i>(RMB in thousands)</i>			
<b>Revenues</b>	3		
Commission	3	74,213,352	65,525,997
Online marketing services	3	18,908,045	15,840,078
Interest revenue	3	884,897	786,032
Other services and sales	3	20,788,216	15,376,424
		<b>114,794,510</b>	97,528,531
Cost of revenues	4	(80,744,368)	(65,208,143)
<b>Gross profit</b>		<b>34,050,142</b>	32,320,388
Selling and marketing expenses	4	(20,882,685)	(18,819,067)
Research and development expenses	4	(10,892,514)	(8,445,664)
General and administrative expenses	4	(5,593,895)	(4,338,954)
Net provision for impairment losses on financial assets		(467,690)	(645,685)
Fair value changes on other financial investments at fair value through profit or loss		4,955,909	77,699
Other gains, net	5	3,160,835	2,531,143
<b>Operating profit</b>	3	<b>4,330,102</b>	2,679,860
Finance income		213,684	166,217
Finance costs		(370,016)	(191,042)
Share of gains of investments accounted for using equity method		264,105	107,353
<b>Profit before income tax</b>		<b>4,437,875</b>	2,762,388
Income tax credits/(expenses)	7	269,737	(526,223)
<b>Profit for the year</b>		<b>4,707,612</b>	2,236,165
<b>Profit/(loss) for the year attributable to:</b>			
Equity holders of the Company		4,708,313	2,238,769
Non-controlling interests		(701)	(2,604)
		<b>4,707,612</b>	2,236,165
		<i>RMB</i>	<i>RMB</i>
<b>Earnings per share for profit for the year attributable to the equity holders of the Company</b>			
Basic earnings per share	6	0.81	0.39
Diluted earnings per share	6	0.78	0.38

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<i>(RMB in thousands)</i>	
<b>Other comprehensive (loss)/income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Share of other comprehensive (loss)/income of investments accounted for using the equity method	<b>(300)</b>	3,905
Changes in the fair value of short-term treasury investments at fair value through other comprehensive income	<b>(60)</b>	–
<i>Items that may not be reclassified to profit or loss</i>		
Currency translation differences	<b>(2,920,302)</b>	678,973
Share of other comprehensive loss of investments accounted for using the equity method	<b>(142,357)</b>	–
Changes in the fair value of other financial investments at fair value through other comprehensive income	<b>84,387</b>	–
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(2,978,632)</b>	682,878
<b>Total comprehensive income for the year</b>	<b>1,728,980</b>	2,919,043
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Equity holders of the Company	<b>1,729,681</b>	2,921,721
Non-controlling interests	<b>(701)</b>	(2,678)
	<b>1,728,980</b>	2,919,043



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020**

		<b>As of December 31,</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<i>(RMB in thousands)</i>	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>13,917,165</b>	5,376,217
Intangible assets		<b>31,676,381</b>	32,699,575
Deferred tax assets		<b>448,670</b>	590,054
Long-term treasury investments		<b>612,967</b>	200,275
Other financial investments at fair value through profit or loss	8	<b>10,256,786</b>	7,166,122
Investments accounted for using the equity method		<b>13,180,943</b>	2,283,590
Other financial investments at fair value through other comprehensive income		<b>605,918</b>	–
Prepayments, deposits and other assets		<b>7,569,817</b>	1,562,037
		<b>78,268,647</b>	49,877,870
<b>Current assets</b>			
Inventories		<b>466,492</b>	275,227
Trade receivables	10	<b>1,030,948</b>	676,762
Prepayments, deposits and other assets		<b>12,940,125</b>	9,591,157
Short-term treasury investments		<b>43,999,364</b>	49,435,599
Restricted cash		<b>12,775,667</b>	8,760,115
Cash and cash equivalents		<b>17,093,559</b>	13,396,185
		<b>88,306,155</b>	82,135,045
<b>Total assets</b>		<b>166,574,802</b>	132,012,915
<b>EQUITY</b>			
Share capital		<b>395</b>	389
Share premium		<b>263,155,201</b>	260,359,929
Shares held for shares award scheme		–	–
Other reserves		<b>(6,262,066)</b>	(4,447,252)
Accumulated losses		<b>(159,200,503)</b>	(163,800,621)
<b>Equity attributable to equity holders of the Company</b>		<b>97,693,027</b>	92,112,445
<b>Non-controlling interests</b>		<b>(58,752)</b>	(58,051)
<b>Total equity</b>		<b>97,634,275</b>	92,054,394

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS OF DECEMBER 31, 2020**

		<b>As of December 31,</b>	
	<b>Note</b>	<u>2020</u>	<u>2019</u>
		<i>(RMB in thousands)</i>	
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		755,694	1,388,469
Financial liabilities at fair value through profit or loss		114,600	–
Deferred revenues	11	166,700	389,028
Borrowings		1,957,470	466,676
Notes payable		12,966,341	–
Lease liabilities		1,648,008	992,233
Other non-current liabilities		184,073	129,552
		<u>17,792,886</u>	<u>3,365,958</u>
<b>Current liabilities</b>			
Trade payables	12	11,967,026	6,766,253
Payables to merchants		9,414,936	7,495,262
Advance from transacting users		4,307,861	3,855,559
Deposit from transacting users		2,222,211	2,491,947
Other payables and accruals		10,557,218	7,237,412
Borrowings		6,395,002	3,552,587
Deferred revenues	11	5,052,830	4,567,171
Lease liabilities		1,089,847	534,566
Income tax liabilities		140,710	91,806
		<u>51,147,641</u>	<u>36,592,563</u>
<b>Total liabilities</b>		<u><b>68,940,527</b></u>	<u><b>39,958,521</b></u>
<b>Total equity and liabilities</b>		<u><b>166,574,802</b></u>	<u><b>132,012,915</b></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Attributable to equity holders of the Company							Total RMB'000
	Share capital	Share premium	Shares held for shares award scheme	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As of January 1, 2020	389	260,359,929	-	(4,447,252)	(163,800,621)	92,112,445	(58,051)	92,054,394
<b>Comprehensive income</b>								
Profit for the year	-	-	-	-	4,708,313	4,708,313	(701)	4,707,612
<b>Other comprehensive income</b>								
Share of other comprehensive loss of investments accounted for using the equity method	-	-	-	(142,657)	-	(142,657)	-	(142,657)
Changes in the fair value of other financial investments at fair value through other comprehensive income	-	-	-	84,387	-	84,387	-	84,387
Changes in the fair value of short-term treasury investments at fair value through other comprehensive income	-	-	-	(60)	-	(60)	-	(60)
Currency translation differences	-	-	-	(2,920,302)	-	(2,920,302)	-	(2,920,302)
<b>Total comprehensive income</b>	-	-	-	(2,978,632)	4,708,313	1,729,681	(701)	1,728,980
<b>Transaction with owners in their capacity as owners</b>								
Share-based compensation expenses	-	-	-	3,272,930	-	3,272,930	-	3,272,930
Shares held for shares award scheme	1	-	(1)	-	-	-	-	-
Exercise of option and RSU vesting	5	2,795,272	1	(2,283,840)	-	511,438	-	511,438
Share of equity movement in an associate	-	-	-	21,671	-	21,671	-	21,671
Tax benefit from share-based payments	-	-	-	44,862	-	44,862	-	44,862
Appropriations to general reserves	-	-	-	108,195	(108,195)	-	-	-
<b>Total transaction with owners in their capacity as owners</b>	6	2,795,272	-	1,163,818	(108,195)	3,850,901	-	3,850,901
As of December 31, 2020	395	263,155,201	-	(6,262,066)	(159,200,503)	97,693,027	(58,752)	97,634,275

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Attributable to equity holders of the Company				Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Other reserves	Accumulated losses			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>			
<b>As of January 1, 2019</b>	384	258,284,687	(5,741,347)	(166,039,390)	86,504,334	5,438	86,509,772
<b>Comprehensive income</b>							
Profit for the year	-	-	-	2,238,769	2,238,769	(2,604)	2,236,165
<b>Other comprehensive income</b>							
Share of other comprehensive income of investments accounted for using the equity method	-	-	3,905	-	3,905	-	3,905
Currency translation differences	-	-	679,047	-	679,047	(74)	678,973
<b>Total comprehensive income</b>	-	-	682,952	2,238,769	2,921,721	(2,678)	2,919,043
<b>Transaction with owners in their capacity as owners</b>							
Share-based compensation expenses	-	-	2,181,436	-	2,181,436	-	2,181,436
Exercise of option and RSU vesting	5	2,075,242	(1,614,957)	-	460,290	-	460,290
Transaction with non-controlling Interests	-	-	34,047	-	34,047	(61,197)	(27,150)
Disposal of a subsidiary	-	-	10,617	-	10,617	386	11,003
<b>Total transaction with owners in their capacity as owners</b>	5	2,075,242	611,143	-	2,686,390	(60,811)	2,625,579
<b>As of December 31, 2019</b>	<u>389</u>	<u>260,359,929</u>	<u>(4,447,252)</u>	<u>(163,800,621)</u>	<u>92,112,445</u>	<u>(58,051)</u>	<u>92,054,394</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<i>(RMB in thousands)</i>	
Net cash flows generated from operating activities	<b>8,475,013</b>	5,574,220
Net cash flows used in investing activities	<b>(21,232,004)</b>	(10,174,018)
Net cash flows generated from financing activities	<b>17,418,081</b>	1,114,267
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,661,090</b>	(3,485,531)
Cash and cash equivalents at the beginning of the year	<b>13,396,185</b>	17,043,692
Exchange loss on cash and cash equivalents	<b>(963,716)</b>	(173,442)
Cash and cash equivalents reclassified from the assets classified as held for sale	-	11,466
<b>Cash and cash equivalents at the end of the year</b>	<b><u>17,093,559</u></b>	<b><u>13,396,185</u></b>

## 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, hotel and travel booking and other services.

The financial information of our Company has been prepared in accordance with applicable International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board. The financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss or through other comprehensive income, which are carried at fair value.

### 2 Changes in accounting policy and disclosures

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

The Company has applied the following standards and amendments for the first time commencing January 1, 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Conceptual Framework	Revised Conceptual Framework for Financial Reporting
IFRS 16 (Amendments)	COVID-19 related rent concessions
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS	Annual Improvements to IFRS Standards 2018-2020 Cycle

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

**(b) New standards and amendments not yet adopted by the management of the Company**

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

		<b>Effective for accounting year beginning on or after</b>
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase 2	January 1, 2021
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	January 1, 2022
IAS 37 (Amendments)	Onerous contract – cost of fulfilling a contract	January 1, 2022
IAS 1 (Amendments)	Classification of liabilities as current and non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023

The Company is in the process of assessing potential impact of the above new standards and amendments to standards that is relevant to the Company upon initial application. According to the preliminary assessment made by the Directors of the Company, management does not anticipate any significant impact on the Company's financial positions and results of operations upon adopting the above new standards and amendments to existing standards. The management of the Company plans to adopt these new standards and amendments to existing standards when they become effective.

### 3 Segment information

The segment information provided to the Company's CODM for the reportable segments for the years ended December 31, 2020 and 2019 is as follows:

	Years Ended		
	December 31, 2020	December 31, 2019	Year-over- year change
<i>(RMB in thousands, except for percentages)</i>			
<b>Revenues:</b>			
Food delivery	66,265,319	54,843,205	20.8%
In-store, hotel & travel	21,252,398	22,275,472	(4.6%)
New initiatives and others	27,276,793	20,409,854	33.6%
<b>Total revenues</b>	<b>114,794,510</b>	<b>97,528,531</b>	<b>17.7%</b>
<b>Operating profit/(loss):</b>			
Food delivery	2,833,369	1,415,880	100.1%
In-store, hotel & travel	8,180,933	8,403,293	(2.6%)
New initiatives and others	(10,854,996)	(6,749,149)	60.8%
Unallocated items	4,170,796	(390,164)	NA
<b>Total operating profit</b>	<b>4,330,102</b>	<b>2,679,860</b>	<b>61.6%</b>

### 4 Expenses by nature

	Year ended December 31,	
	2020	2019
<i>(RMB in thousands)</i>		
Food delivery rider costs	48,692,295	41,041,513
Employee benefits expenses	21,541,521	17,754,642
Cost of goods sold	10,726,592	7,492,322
Transacting User incentives	8,072,985	8,149,976
Other outsourcing labor costs	5,585,367	2,991,197
Depreciation of property, plant and equipment	4,202,623	3,654,793
Promotion and advertising	2,956,884	2,126,910
Payment processing costs	2,386,671	2,189,646
Car-hailing driver related costs	1,891,366	3,119,491
Amortization of intangible assets	991,486	1,191,007
Rental, facility and utilities	907,287	271,012
Bandwidth and server custody fees	868,964	726,443
Online traffic costs	457,334	509,581
Professional fees	421,787	218,732
Tax surcharge expenses	170,175	247,989
Impairment provision for non-financial assets	87,857	–
Auditor's remuneration		
– Audit and audit-related services	48,889	41,281
– Non-audit services	1,898	4,108
Impairment provision and restructuring expense for Mobike restructuring plan	(5,272)	88,612
Others (Note i)	8,106,753	4,992,573
<b>Total cost of revenues, selling and marketing expenses, research and development expenses and general and administrative expenses</b>	<b>118,113,462</b>	<b>96,811,828</b>

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



## 5 Other gains, net

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<i>(RMB in thousands)</i>	
Subsidies and tax preference	<b>1,388,365</b>	589,912
Dilution gain	<b>853,618</b>	91,360
Fair value changes of treasury investments at fair value through profit or loss	<b>816,888</b>	637,410
Interest income from treasury investments at amortized cost	<b>386,771</b>	876,467
Gains from remeasurement of investments	–	176,880
Gains from the disposal of investments	–	160,884
Gains from the disposal of subsidiaries	–	40,177
Foreign exchange loss, net	<b>(170,340)</b>	(81,872)
Others	<b>(114,467)</b>	39,925
	<b>3,160,835</b>	<b>2,531,143</b>

## 6 Earnings per share

- (a) Basic earnings per share for the years ended December 31, 2020 and 2019 were calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Profit attributable to equity holders of the Company (RMB' 000)	<b>4,708,313</b>	2,238,769
Weighted average number of ordinary shares in issue (thousand)	<b>5,845,354</b>	5,767,906
Basic earnings per share (RMB)	<b>0.81</b>	0.39

- (b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Profit attributable to equity holders of the Company (RMB' 000)	<b>4,708,313</b>	2,238,769
Weighted average number of ordinary shares in issue (thousand)	<b>5,845,354</b>	5,767,906
Adjustments for share options and RSUs (thousand)	<b>158,251</b>	155,004
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (thousand)	<b>6,003,605</b>	5,922,910
Diluted earnings per share (RMB)	<b>0.78</b>	0.38

## 7 Income tax credits/(expenses)

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, the British Virgin Islands, Hong Kong and China.

### *Cayman Islands*

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law and are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

### *British Virgin Islands*

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

### *Hong Kong*

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the year ended December 31, 2020. No Hong Kong profits tax was provided for as there was no estimated assessable profit for the year ended December 31, 2019.

### *China*

Under the EIT Law effective from January 1, 2008, our PRC subsidiaries, and controlled affiliated entities and their subsidiaries are subject to the statutory rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy.

Certain PRC subsidiaries of the Company that qualify as “high and new technology enterprises” under the EIT Law, and accordingly, are entitled to a preferential enterprise income tax rate of 15% for three years. In addition, certain PRC subsidiaries of the Company that qualify as “small and thin-profit enterprises” under the EIT Law, and accordingly, are entitled to a preferential enterprise income tax rate of 20%. As a result, such PRC subsidiaries were eligible for a preferential enterprise income tax rate for their respective tax holiday.

Our remaining PRC entities were subject to enterprise income tax at a rate of 25% in 2020. Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied. For the years ended December 31, 2020 and 2019, we incurred accumulated net operating losses and did not have any profit distribution plan.

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

	<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<i>(RMB in thousands)</i>	
Current income tax expenses	<b>(147,172)</b>	(482,154)
Deferred income tax credits/(expenses)	<b>416,909</b>	(44,069)
	<b><u>269,737</u></b>	<b><u>(526,223)</u></b>

## 8 Other financial investments at fair value through profit or loss

We made investments in certain convertible redeemable preferred shares or ordinary shares with preferential rights issued by the investee companies. We maintained significant influence in some of these companies. And we also invested in certain investee companies without significant influence. We managed and evaluated their performance on a fair value basis and measured these investments as other financial investments at fair value through profit or loss.

## 9 Property, plant and equipment

Our property, plant and equipment primarily consist of bikes and electric mopeds, right-of-use assets, computer equipment, assets under construction, leasehold improvements and furniture and appliances. Our property, plant and equipment increased by 159% from RMB5.4 billion as of December 31, 2019 to RMB13.9 billion as of December 31, 2020, primarily due to the increase in the carrying value of bikes and electric mopeds.

## 10 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:

	As of December 31,	
	2020	2019
	<i>(RMB in thousands)</i>	
Trade receivables	1,197,518	832,616
Less: allowance for impairment	(166,570)	(155,854)
	<u>1,030,948</u>	<u>676,762</u>

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:

	As of December 31,	
	2020	2019
	<i>(RMB in thousands)</i>	
<b>Trade receivables</b>		
Up to 3 months	889,861	544,784
3 to 6 months	94,088	87,114
6 months to 1 year	39,416	34,574
Over 1 year	7,583	10,290
	<u>1,030,948</u>	<u>676,762</u>

## 11 Deferred revenues

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

	As of December 31,	
	2020	2019
	<i>(RMB in thousands)</i>	
<b>Non-current</b>		
Business cooperation agreement with Maoyan	166,700	388,967
Others	–	61
	<u>166,700</u>	<u>389,028</u>
<b>Current</b>		
Online marketing services	4,764,327	4,299,191
Business cooperation agreement with Maoyan	222,267	222,267
Ride-sharing monthly pass	65,873	44,010
Others	363	1,703
	<u>5,052,830</u>	<u>4,567,171</u>
	<u><b>5,219,530</b></u>	<u><b>4,956,199</b></u>

## 12 Trade payables

Trade payables represent liabilities for goods and services provided to us prior to the end of financial year which are unpaid. Trade payables are recognised 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:

	As of December 31,	
	2020	2019
	<i>(RMB in thousands)</i>	
Trade payables	<u><b>11,967,026</b></u>	<u><b>6,766,253</b></u>

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

	As of December 31,	
	2020	2019
	<i>(RMB in thousands)</i>	
<b>Trade payables</b>		
Up to 3 months	11,810,659	6,353,368
3 to 6 months	46,688	237,151
6 months to 1 year	45,876	119,630
Over 1 year	63,803	56,104
	<u><b>11,967,026</b></u>	<u><b>6,766,253</b></u>

## 13 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2020 and 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 year ended December 31, 2020.

### **CLOSURE OF THE REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The Company will hold its annual general meeting (the "AGM") on May 21, 2021. The register of members of the Company will be closed from May 17, 2021 to May 21, 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 14, 2021.

### **Audit Committee**

The Audit Committee, together with the Auditor, has reviewed the Company's audited consolidated financial statements for the year ended December 31, 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.

### **Scope of work of the Auditor**

The figures in respect of the Company's consolidated statement of comprehensive income and consolidated statement of financial position and the related notes thereto for the year ended December 31, 2020 as set out in this announcement have been agreed by the Company's Auditor, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

## **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 year ended December 31, 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 year ended December 31, 2020.

## **Publication of the Annual results and Annual 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](http://www.hkexnews.hk)) and the Company ([about.meituan.com](http://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**  
**Wang Xing**  
Chairman

Hong Kong, March 26, 2021

*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:

<b>Term</b>	<b>Definition</b>
“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 (美团) (formerly known as Meituan Dianping (美团点评)), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 25, 2015, or Meituan (美团) and its subsidiaries and Consolidated Affiliated Entities, as the case may be
“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 GEM 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 ride-sharing services, 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