

# SECTION A1

## WAIVERS AND EXEMPTIONS

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

| <b>Rules</b>   | <b>Subject matter</b>   |
|--|---|
| Rule 2.07A of the Hong Kong Listing Rules  | Printed Corporate Communications  |
| Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance        | Disclosure Requirements Relating to the Accountants' Report   |
| Rule 9.09(b) of the Hong Kong Listing Rules  | Dealings in Shares prior to Listing   |
| Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules   | Printed Prospectus  |
| Rule 13.25B of the Hong Kong Listing Rules   | Monthly Return  |
| Rule 13.48(1) and Practice Note 10 of the Hong Kong Listing Rules  | Publication of Interim Report for the six months ended June 30, 2020  |
| Rule 19C.07(3) and 19C.07(7) of the Hong Kong Listing Rules  | Shareholder Protection Requirements   |
| Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and Paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance | Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures  |
| Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and Paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance                  | Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to Us         |
| Guidance Letter HKEX-GL37-12   | Timing Requirement of Liquidity Disclosure  |
| Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Hong Kong Listing Rules  | Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest |

| <b>Rules</b>   | <b>Subject matter</b>   |
|--|---|
| Paragraph 15(2)(c) of Appendix 1A to the Hong Kong Listing Rules                             | Disclosure of Offer Price   |
| Paragraphs 28(1)(b)(i), (ii) and (v) of Appendix 1A to the Hong Kong Listing Rules           | Disclosure Requirements in respect of Suppliers   |
| Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules                   | Subscription for Shares by existing Shareholders and subscription for Shares by Alibaba (through its affiliates) pursuant to the exercise of anti-dilution rights |
| Paragraph 4.2 of Practice Note 18 to the Hong Kong Listing Rules                             | Clawback mechanism  |
| Section 4.1 of the Introduction to the Takeovers Codes                                       | Not a Public Company in Hong Kong under the Takeovers Code  |
| Part XV of the SFO   | Disclosure of Interests under Part XV of SFO  |
| Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Hong Kong Listing Rules | Disclosure of Interests Information   |

## **PRINTED CORPORATE COMMUNICATIONS**

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

Our ADSs have been listed on the NYSE since October 2016. We have a diverse shareholder base with ADS holders globally.

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

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

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

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

#### **DISCLOSURE REQUIREMENTS RELATING TO THE ACCOUNTANTS' REPORT**

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

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

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

During the Track Record Period, we adopted, among other new accounting standards that did not have a material impact on our consolidated financial statements, Accounting Standards Update 2014-09 “Revenue from Contracts with Customers (Topic 606)” and related amendments and implementation guidance, or ASC 606, Accounting Standards Update 2016-01 “Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities”, including related technical corrections and improvements, or ASU 2016-01, Accounting Standards Update 2016-02 “Leases (Topic 842)”, including certain transitional guidance and subsequent amendments, or ASC 842, and Accounting Standards Update 2016-13 “Financial Instruments-Credit Losses (Topic 326)”, including certain transitional guidance and subsequent amendments, or ASC 326. The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the Accountants’ Reports in Appendix I to the Prospectus.

ASC 606 was adopted beginning January 1, 2018 using the modified retrospective transition method. The adoption of ASC 606 does not have any significant impact on the consolidated financial statements and there was no adjustment to the beginning retained earnings on January 1, 2018.

ASU 2016-01 was adopted on January 1, 2018 prospectively. The adoption of ASU 2016-01 does not have any significant impact on the consolidated financial statements and there was no adjustment to the beginning retained earnings on January 1, 2018. The full retrospective application of ASU 2016-01 is not permitted under U.S. GAAP.

ASC Topic 842, Leases (“**ASC 842**”) was adopted on January 1, 2019 using the modified retrospective transition approach by applying the new lease standard to all leases existing as of January 1, 2019, and no adjustments were made to the comparative periods. The adoption of the new lease standard does not have any significant impact on the consolidated statements of operations and comprehensive income and cash flows and there was no adjustment to the beginning retained earnings on January 1, 2019.

ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326)” was adopted on January 1, 2020 using the modified retrospective transition method. The adoption of ASC 326 does not have any significant impact on the consolidated financial statements and there was no adjustment to the beginning retained earnings on January 1, 2020.

The Prospectus includes the following alternative disclosures:

- (a) disclosure of the accounting policies for the adoption of ASC 606, ASU 2016-01, ASC 842 and ASC 326 as well as the impact of adoption, if any, in the Accountants’ Report in Appendix I to the Prospectus; and
- (b) for the new accounting standard that came into effect during the Track Record Period, the accounting policy as well as the impact of adoption, if any, to the beginning retained earnings of initial application (i.e. January 1, 2018, 2019 and 2020) has been disclosed in the Accountants’ Report in Appendix I to the Prospectus in accordance with the relevant requirements under U.S. GAAP.

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

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in the Prospectus; and (ii) the Prospectus would be issued on or before September 17, 2020.

## **DEALINGS IN SHARES PRIOR TO LISTING**

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

We had more than 200 subsidiaries and operating entities as of June 30, 2020, and our ADSs are widely held, publicly traded and listed on the NYSE. We considers that we are therefore not in a position to control the investment decisions of our shareholders or the investing public in the U.S.. Solely based on public filings with the SEC as of the Latest Practicable Date, other than Mr. Meisong Lai, our Controlling Shareholder, executive Director and Chief Executive Officer, and Zto Lms Holding Limited, a company beneficially owned by The LMS Family Trust, the beneficiaries of which are Mr. Lai and his family members, there are no shareholders who held more than 10% of the total issued share capital of us.

Mr. Meisong Lai (our Controlling Shareholder, executive director and chief executive officer) may from time to time use his Shares as security (including charges and pledges) in connection with financing activities. As of June 30, 2020, Mr. Meisong Lai, through Zto Lms Holding Limited and ZTO ES, beneficially owned 213,708,313 Shares and none of his Shares was used as security.

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

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

For the avoidance of doubt:

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

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

- (a) Where Categories 1 and 2 of the Permitted Persons use the Shares as security, there will be no change in the beneficial ownership of the Shares during the Relevant Period;
- (b) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of our Company given that such persons are not in a position with access to information that is considered material to our Company taken as a whole. Given the large number of our subsidiaries and our vast ADS holder base, our Company and our management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in our ADSs;
- (c) we will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which we are aware;
- (d) we will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of our core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (e) prior to the Listing Date, other than within the permitted scopes set out above, our directors and chief executive and the directors and chief executives of our Major Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

## **PRINTED PROSPECTUS**

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

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

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

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

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

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

## **MONTHLY RETURN**

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

Under the Joint Policy Statement Regarding the Listing of Overseas Companies jointly issued by the Hong Kong Stock Exchange and the SFC on September 27, 2013, this common waiver is subject to the condition that the issuer can meet one of the following three conditions:

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



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

## **PUBLICATION OF INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2020**

Rule 13.48(1) of the Hong Kong Listing Rules requires an issuer to send an interim report or a summary interim report in respect of the first six months of the financial year within three months after the end of that period. Practice Note 10 of the Hong Kong Listing Rules requires newly listed issuers to prepare and publish interim reports in respect of the first six month period where the deadline for publishing the reports falls after the date on which dealings in the securities of the issuer commenced.

As we included in the Prospectus the audited financial information in respect of the six months ended June 30, 2020 and other financial disclosure, the publication of an interim report for the six months ended June 30, 2020 would not provide shareholders and potential investors with additional material information not already contained in the Prospectus. The preparation, publication and sending of the interim report shortly after the Listing would require us to incur unnecessary administrative cost and time on the part of our management and be unduly burdensome for us.

In relation to our not preparing, publishing and sending the interim report for the six months ended June 30, 2020, we confirm (a) that, based on the advice provided by our legal adviser as to the laws of the Cayman Islands, we would not be in breach of our constitutional documents or laws or regulations of the Cayman Islands and (b) that we would not be in breach of any other regulatory requirements.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 13.48(1) and Practice Note 10 of the Hong Kong Listing Rules in respect of the interim report for the six months ended June 30, 2020.

## **SHAREHOLDER PROTECTION REQUIREMENTS**

For an overseas issuer seeking a secondary listing on the Hong Kong Stock Exchange, Rule 19.30(1)(b) of the Hong Kong Listing Rules requires the overseas issuer's primary listing is or is to be on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Hong Kong Listing Rules. We are a Grandfathered Greater China Issuer under Chapter 19C of the Hong Kong Listing Rules.

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

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

Our Articles of Associations do not contain an equivalent Auditors Provision. Pursuant to our Articles, the Board has the power to appoint, remove and remunerate the auditors instead. Although the Board has such a power, it has formally delegated this function to our audit committee (the "**Audit Committee**") since our listing on the NYSE in October 2016.

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

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

## **Requisition of extraordinary general meetings by shareholders**

Requisition of extraordinary general meeting by shareholders Rule 19C.07(7) of the Hong Kong Listing Rules requires that members holding a minority shareholding in an issuer's total number of issued shares to be able to requisition an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer, while the minimum stake as currently set out in the Articles is not less than one-third of the votes attaching to all issued and outstanding Shares. In addition, the Articles provide that the quorum for a general meeting of our Company shall be one or more members holding Shares which represent, in aggregate, not less than one-third of the votes attaching to all issued and outstanding Shares.

We will amend the Articles after the Listing to comply with Rule 19C.07(7) of the Hong Kong Listing Rules. Prior to the amendment to our Articles, we undertake to convene general meetings at the request of shareholders holding in aggregate not less than 10% of the Company's voting rights, on a one vote per share basis.

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

- (a) we will put forth resolutions at or before the 2021 annual general meeting of our Company (which will be held by June 2021) to revise the Articles, so that (i) the minimum stake required to convene an extraordinary general meeting and add resolutions to a meeting agenda will be 10% of the voting rights, on a one vote per share basis, in the share capital of our Company; and (ii) the quorum for a general meeting of our Company will be lowered from the current one-third of the aggregate voting power of our Company to 10% of the aggregate voting power of our Company on a one vote per share basis; and
- (b) Our Controlling Shareholder(s) will provide an irrevocable undertaking to the Company prior to the Listing to vote in favor of the proposed resolutions outlined above with a view to ensuring that there may be adequate votes in favor of such resolutions.

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

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

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

We have identified 4 entities as our Major Subsidiaries. For further details, see the section headed “History – Corporate Structure – Major Subsidiaries” in the Prospectus. We had more than 200 subsidiaries and operating entities as of June 30, 2020. We believe that it would be unduly burdensome for us to disclose this information in respect of all of our subsidiaries as we would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors.

The Major Subsidiaries include all the Company’s subsidiaries that meet the financial threshold for “significant subsidiaries” under Regulation S-X in the U.S. (i.e. contributing more than 10% of the Group’s total assets and income) and are representative of the Company’s business (including those that hold major assets and intellectual property rights). None of the non-Major Subsidiaries is individually material to the Company in terms of its contribution to the Company’s total net revenues, net income or total assets or holds any major assets and intellectual property rights. By way of illustration, the aggregate net income of the Major Subsidiaries accounted for approximately 111.5% and 139.0% of the net income of the Group for the year ended December 31, 2019 and the six months ended June 30, 2020, respectively, and the total assets of the Major Subsidiaries represented 69.6% and 69.2% of the total assets of the Group as at December 31, 2019 and June 30, 2020, respectively. As such, we have disclosed the particulars of the changes in our share capital and the Major Subsidiaries in the section headed “Statutory and General Information – Further Information About Us” in Appendix IV to the Prospectus, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of the Major Subsidiaries and our Company are set out in the section headed “Statutory and General Information – Other Information – Miscellaneous” of Appendix IV to the Prospectus.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements under paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in the Prospectus; and (ii) the Prospectus would be issued on or before September 17, 2020.

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

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

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

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules. We have applied for, and the SFC has granted, an exemption from the requirements under Paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted the above exemption on the conditions that: (i) the particulars of such exemption are set out in the Prospectus; and (ii) the Prospectus would be issued on or before September 17, 2020.

## **TIMING REQUIREMENT OF LIQUIDITY DISCLOSURE**

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

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

As the Prospectus was expected to be published in September 2020, we would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than July 2020 pursuant to GL37-12. Given that we included in the Prospectus an accountants' report incorporating the audited consolidated financial information of the Group for the three years ended December 31, 2019 and the six months ended June 30, 2020, it would be unduly burdensome for us to re-arrange information for similar liquidity disclosures on a consolidated basis shortly after the end of the second quarter of our current financial year.

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

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

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

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

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

Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information in respect of directors' emoluments during the three financial years ended 31 December 2017, 2018 and 2019. Paragraph 46(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include the aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer in respect of the last completed financial year, and Paragraph 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires information in relation to an estimate of the aggregate remuneration and benefits in kind payable to directors in respect of the current financial year to be set out in the listing document.

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

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

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

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

## **DISCLOSURE OF OFFER PRICE**

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

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

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

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

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

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

## **DISCLOSURE REQUIREMENTS IN RESPECT OF SUPPLIERS**

Paragraphs 28(1)(b)(i) and (ii) of Part A of Appendix 1 to the Hong Kong Listing Rules require the listing document to include a statement of the percentage of purchases attributable to the group’s largest supplier and a statement of the percentage of purchases attributable to the group’s five largest suppliers combined, respectively.

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

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

Some of the Company's top five suppliers are public companies (or entities controlled by them) whose shares are traded on various stock exchanges. As a NYSE-listed company, the Company is not in a position to compel its public shareholders who own more than 5% in its issued shares based on public filings to disclose to the Company their shareholding interests in its top five suppliers during the Track Record Period. It would also be unduly burdensome for these public shareholders of the Company to ascertain their shareholding interests in the Company's top five suppliers (especially the companies whose shares are publicly traded), because the disclosure requirements under Paragraph 28(1)(b)(v) of Part A of Appendix 1 to the Hong Kong Listing Rules are not subject to any materiality or de minimis exemptions or "safe harbors" provisions. The same difficulties would apply to the Company's directors who are otherwise required to disclose their, and their close associates', shareholding interests in the Company's top five suppliers including the companies whose shares are publicly traded. As of the Latest Practicable Date, based on publicly available information, none of our directors and their close associates or our Controlling Shareholders, held a 5% or more shareholding interest in our top five suppliers.

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

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

## SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

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

We have been listed on the NYSE since October 2016 and has a wide and diverse shareholder base. Other than the Company's directors and senior management and any Shareholders who hold special rights in the Company, any person who may, as a result of dealings, become a shareholder of the Company (each a "**Permitted Existing Shareholder**") have no influence over the Global Offering and are not in possession of any non-public inside information in relation to the Global Offering and are effectively in the same positions as our public investors. Considering the nature of those investors and as the Company's Shares are publicly traded on the NYSE, the Company is not in the position to prevent any person or entity from acquiring listed securities of the Company prior to the Global Offering. In addition, the Company will only be able to ascertain the change in the shareholding of the relevant Shareholder after it makes public disclosure. It would therefore be unduly burdensome for the Company to seek the prior consent of the Hong Kong Stock Exchange for each of the Company's existing shareholders or their close associates who subscribe for shares in the Global Offering.

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

- each Permitted Existing Shareholder is interested in less than 5% of the Company's voting rights before the Listing;
- the Permitted Existing Shareholders do not have the power to appoint directors of the Company or any other special rights in the Company;
- the Permitted Existing Shareholders do not have influence over the offering process and will be treated the same as other applicants and placees in the Global Offering;
- the Permitted Existing Shareholder and their close associates will be subject to the same book-building and allocation process as other investors in the Global Offering; and
- to the best of their knowledge and belief, each of the Company, the Sponsor and the Sole Global Coordinator (based on its discussions with and the confirmations from the Company and the Joint Bookrunners (for itself and on behalf of the Underwriters)), confirms to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders and their close associates as a placee in the International Offering by virtue of their relationship with the Company.



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

## **SUBSCRIPTION FOR SHARES BY ALIBABA (THROUGH ITS AFFILIATES) PURSUANT TO THE EXERCISE OF ANTI-DILUTION RIGHTS**

Rule 10.04 of the Hong Kong Listing Rules provides that an existing shareholder of an issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or her own name or through nominees if the conditions in Rule 10.03(1) and (2) are satisfied. The applicable requirements of Rule 10.03 of the Hong Kong Listing Rules are that no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities. Paragraph 5(2) of Appendix 6 to the Listing Rule prohibits allocation of shares in a global offering to existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions in Rule 10.03 and 10.04 are fulfilled or prior written consent of the Hong Kong Stock Exchange has been obtained.

Alibaba, an existing shareholder of the Company, through its affiliates, Ali ZT and Cainiao Smart Logistics Investment Limited (“**Cainiao Smart**”) together hold 63,657,407 Class A ordinary shares of the Company (or approximately 8.1% of the Company’s total issued share capital) as at 30 June 2020. See “Major Shareholders” in the Prospectus for further details. Pursuant to an investor right agreement dated June 12, 2018 (the “**Investor Rights Agreement**”), we granted preemptive rights to Ali ZT and Cainiao Smart, such that if our Company proposes to issue any of its securities, each of Ali ZT and Cainiao Smart shall have the right to acquire (a) a portion of such securities equal to the quotient obtained by dividing (i) the number of shares of all securities owned by such shareholder by (ii) the total number of shares of all securities issued and outstanding or such other percentage as may be mutually agreed among such shareholders following discussions with our Company, plus (b) any securities not purchased by its affiliates. Ali ZT and Cainiao Smart may assign all or a portion of their preemptive rights to any of their affiliates under the Investor Rights Agreement in accordance with its terms. See “Related Party Transactions – Investor Rights Agreement” in the Prospectus for further details. The preemptive rights function as typical anti-dilution rights as, if exercised, they would allow Ali ZT and/or Cainiao Smart (and/or their respective affiliates) to subscribe for additional Class A ordinary shares, to the extent permitted by the Hong Kong Listing Rules, in order to reduce the dilutive effect of the Global Offering on Alibaba’s aggregate percentage interest in the Company that is currently held through Ali ZT and Cainiao Smart.

On September 15, 2020, Ali ZT and/or Cainiao Smart (and/or their respective affiliates) have agreed to exercise their preemptive rights pursuant to the Investor Rights Agreement to subscribe for an aggregate of 3,654,250 Class A ordinary shares on an assured basis, representing approximately 8.1% of the Offer Shares and approximately 0.4% of the Shares in issue immediately upon completion of the Global Offering, without taking into account (i) the Class A ordinary shares issued and reserved for the purpose of our employee shareholding platform, the holder of which has waived all shareholder rights attached to those shares, (ii) the Company's repurchase of Class A ordinary shares in the form of ADSs; and (iii) any allotment and issuance of Class A ordinary shares upon exercise of the Over-allotment Option. No preferential treatment will be given to Ali ZT and/or Cainiao Smart (and/or their respective affiliates) other than the assured allocation of 3,654,250 Class A ordinary shares in connection with the Global Offering.

Given that:

- (a) full disclosure of the pre-existing contractual arrangement is made in the Prospectus, including the number of Class A ordinary shares that may be subscribed by Ali ZT and/or Cainiao Smart (and/or their respective affiliates) pursuant to the preemptive rights under the Investor Rights Agreement and the fact that the subscription price per Share will be at the International Offer Price. In addition, the allotment results announcement will contain details of any allocation made to Ali ZT and/or Cainiao Smart (and/or their respective affiliates) (if any). On the basis of full disclosure, no investor will be prejudiced or unfairly treated in their investment decision making process, and
- (b) if the preemptive rights are exercised:
  - i. the subscription for additional Class A ordinary shares by Ali ZT and/or Cainiao Smart (and/or their respective affiliates) will be conducted at the International Offer Price on the same terms and conditions as other investors pursuant to the Global Offering;
  - ii. the subscription by Ali ZT and/or Cainiao Smart (and/or their respective affiliates) will form part of the International Offering, and will not have an impact on the Class A ordinary shares to be offered to public investors in Hong Kong under the Hong Kong Public Offering;
  - iii. the subscription of the additional Class A ordinary shares by Ali ZT and/or Cainiao Smart (and/or their respective affiliates) is a pre-existing contractual arrangement between Ali ZT, Cainiao Smart and the Company and was agreed on an arm's length basis, and the subscription is for the purpose of giving effect to such pre-existing arrangement;
  - iv. the subscription rights of Ali ZT and Cainiao Smart are, in substance, similar in nature to the typical anti-dilution rights granted to pre-IPO investors and, in particular, the subscription by Ali ZT and/or Cainiao Smart (and/or their respective affiliates) will not result in Alibaba's aggregate percentage interest in the Company that is held currently through Ali ZT and Cainiao Smart increasing above its aggregate percentage interest immediately prior to the Global Offering. Such rights are permitted to be exercised at the time of IPO pursuant to Paragraph 3.10 of Guidance Letter HKEX-GL43-12; and
  - v. the allotment results announcement will contain details of any allocation made to Ali ZT and/or Cainiao Smart (and/or their respective affiliates) (if any),

we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules in respect of the allocation of shares to Alibaba (through its affiliates), subject to the following conditions:

- (a) full disclosure of the pre-existing contractual arrangement between Ali ZT, Cainiao Smart and the Company contained in the Investor Rights Agreement and the number of Class A ordinary shares that may be subscribed by Ali ZT and/or Cainiao Smart (and/or their respective affiliates);
- (b) the proposed subscription of Class A ordinary shares by Ali ZT and/or Cainiao Smart (and/or their respective affiliates) will form part of the International Offering and be conducted at the International Offer Price and, in any event, will not result in Alibaba increasing its aggregate percentage interest in the Company that is currently held through Ali ZT and Cainiao Smart above its aggregate percentage interest in the Company immediately prior to the Global Offering;
- (c) the Company, the Sole Global Coordinator, and the Sole Sponsor will confirm to the Hong Kong Stock Exchange in writing that no preferential treatment, other than the assured allocation, will be given to the Ali ZT and/or Cainiao Smart (and/or their respective affiliates) as places in the International Offering; and
- (d) information on the amount of Class A ordinary shares actually allocated to Ali ZT and/or Cainiao Smart (and/or their respective affiliates) will be disclosed in the allotment results announcement and the places lists to be submitted to the Hong Kong Stock Exchange before Listing.

## **CLAWBACK MECHANISM**

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

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

- (i) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 3,375,000 Offer Shares, representing 7.5% of the Offer Shares initially available under the Global Offering;

- (ii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 4,500,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
- (iii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 9,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate.

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

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

Section 4.1 of the Introduction to Takeovers Codes provides that the Takeovers Codes apply to takeovers, mergers and share buy-backs affecting, among others, public companies in Hong Kong and companies with a primary listing in Hong Kong. According to the Note to Section 4.2 of the Introduction to the Takeovers Codes, a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Hong Kong Listing Rules with a secondary listing on the Hong Kong Stock Exchange will not normally be regarded as a public company in Hong Kong under Section 4.2 of the Introduction to the Takeovers Codes. We have applied for, and the SFC has granted, a ruling that we are not a “public company in Hong Kong” for the purposes of the Takeovers Codes. Therefore, the Takeovers Codes do not apply to us. In the event that the bulk of trading in our Shares migrates to Hong Kong such that we would be treated as having a dual-primary listing pursuant to Rule 19C.13 of the Hong Kong Listing Rules, the Takeovers Codes will apply to us.

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

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

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

## **DISCLOSURE OF INTERESTS INFORMATION**

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

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

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

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