

## A1. WAIVERS AND EXEMPTIONS

The following waivers and exemptions have been applied for and granted by the Hong Kong Stock Exchange and/or the SFC. Unless the context requires otherwise, capitalized terms used herein shall have the meanings given to them in the Company's prospectus (the "**Prospectus**") dated September 11, 2020 and references to sections of the Prospectus shall be construed accordingly.

<u>Relevant requirement/rule(s) waived/exempted</u>	<u>Subject matter</u>
Rule 2.07A of the Hong Kong Listing Rules	Printed corporate communications
Rule 4.03 of the Hong Kong Listing Rules	Qualifications of auditors
Rules 4.04(3)(a), 4.05 and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (WUMP) Ordinance	Disclosure requirements relating to the Accountants' Report
Rule 4.29 of the Hong Kong Listing Rules	Pro forma financial information
Rule 9.09(b) of the Hong Kong Listing Rule	Dealings in Shares prior to Listing
Rule 10.04 of, and Paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules	Subscription for Shares by existing Shareholders
Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules	Availability of copies of the prospectus in printed form
Rule 13.25B of the Hong Kong Listing Rules	Monthly return
Rules 19C.07(3) and 19C.07(7) of the Hong Kong Listing Rules	Shareholder protection requirements in relation to approval, removal and remuneration of auditors and requisition of extraordinary general meeting by Shareholders
Practice Note 15 of the Hong Kong Listing Rules	Rules related to spin-off listings
Paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules and Paragraphs 11, 14 and 25 of the Third Schedule to the Companies (WUMP) Ordinance	Particulars of any commissions, discounts and brokerages, alterations of capital and authorized debentures
Paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules	Disclosure of Offer Price

<b>Relevant requirement/rule(s) waived/exempted</b>	<b>Subject matter</b>
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 (WUMP) Ordinance	Disclosure of information on subsidiaries whose profits or assets make material contribution to our Company
Guidance Letter HKEX-GL37-12	Disclosure requirements in respect of indebtedness and liquidity
Paragraphs 33(2), 33(3), 46(2), 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules	Disclosure requirements of Directors' and five highest individuals' emolument
Paragraphs 41(4) and 45 of Part A of Appendix 1 to and Practice Note 5 of the Hong Kong Listing Rules	Disclosure of interests information
Section 4.1 of the Introduction to the Takeovers Codes	Determination of whether a company is a "public company in Hong Kong"
Part XV of the SFO	Disclosure of interests
Paragraph 10 of the Third Schedule to the Companies (WUMP) Ordinance	Disclosure of particulars of debenture holders
Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules	Clawback mechanism
Rule 13.48(1) of the Hong Kong Listing Rules	Publication of interim report for the six months ended June 30, 2020

### **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 NASDAQ since March 26, 2010. We have ADS holders globally and has a diverse Shareholder base. We have also issued two series of convertible notes (convertible into our ADSs) in 2017 and 2020, respectively.

We typically publicly file or furnish various corporate communications with the SEC which are posted on the SEC's website and publish such communications through press releases. Our corporate communications publicly filed with the SEC are also available to Shareholders on our Company's website shortly after they are filed with the SEC. Further, we will post our proxy materials and notices to shareholders and holders of ADSs on a publicly accessible website. 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 as described below:

- the annual reports of our Company on Form 20-F are available to Shareholders on our website shortly after they are filed with the SEC and, upon request, a hard copy of our annual report will be made available to the Shareholders free of charge pursuant to Rule 5250(d)(1) of the NASDAQ Marketplace Rules;
- upon request by a Shareholder or a holder of ADSs, we will deliver printed copies of Form 20-F, proxy statements (including form of proxy) and notices to such Shareholder or holder of ADSs at our cost pursuant to Rule 5250(d)(1) of the NASDAQ Marketplace Rules and Rule 14a-16(j) under the U.S. Exchange Act;
- as a foreign private issuer, we are allowed, if we elect so, under Rule 5250(d)(5) of the NASDAQ Marketplace Rules to follow home country practice in lieu of the requirements of Rule 5250(d)(1) of the NASDAQ Marketplace Rules, subject to notification to NASDAQ; and
- the depository bank which administers our ADS program will send a notice as well as an ADS voting instruction card to each of our ADS holders.

Apart from the Offer Shares that will be offered by us for subscription in Hong Kong, the Offer shares will also 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, it would not be practicable for us to send printed copies of all our corporate communications to all of our Shareholders. Further, 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 to the Hong Kong Stock Exchange 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 our Company 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 and notices in English and Chinese to our Shareholders at no costs upon request; and
- (c) ensure that the "Investor Relations" page of our website ([ir.huazhu.com](http://ir.huazhu.com)) will direct investors to all of our future filings with the Hong Kong Stock Exchange.

## Qualifications of auditors

Rule 4.03 of the Hong Kong Listing Rules provides that all accountants' reports must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance (“**PAO**”) for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants.

We completed the acquisition of Steigenberger Hotels AG in January 2020. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (“**PwC Germany**”) was engaged to audit the consolidated financial statements of Steigenberger Hotels AG as of and for the year ended December 31, 2019 prepared under the IFRS issued by the International Accounting Standards Board in accordance with the auditing standards generally accepted in the United States of America (the “**Audited DH 2019 Financial Statements**”). The Audited DH 2019 Financial Statements were furnished to the SEC on Form 6-K on a voluntary basis for commercial reasons in relation to a private offering of convertible notes by our Company in May 2020 (the “**Form 6-K May 2020**”).

The Audited DH 2019 Financial Statements are reproduced in Appendix IB to the Prospectus mainly for the following reasons:

- it is not a requirement under the Hong Kong Listing Rules to reproduce the Audited DH 2019 Financial Statements in the Prospectus. However, we will conduct the International Offering and enable the fungibility between our Nasdaq-listed ADSs and Hong Kong listed Shares upon completion of the Global Offering, and therefore we will register the Global Offering with the SEC under the Securities Act, as amended, through a registration statement on Form F-3SAR and prospectus supplements thereto (the “**U.S. Prospectus**”). Consistent with disclosure practices and investor expectations, the disclosure in the Prospectus is expected to be generally consistent with the disclosure in the U.S. Prospectus required by the U.S. securities laws, including rules of the SEC. According to Regulation S-X Rule 3-05 and Article 11, the acquisition of Steigenberger Hotels AG (the “**DH Acquisition**”) was significant and the U.S. Prospectus would be required to include the Audited DH 2019 Financial Statements. For equality treatment of Shareholders and investing public, the Audited DH 2019 Financial Statements are appended to the Prospectus; and
- reproducing the Audited DH 2019 Financial Statements in the Prospectus is intended to provide investors with the historical financial information of Deutsche Hospitality for the year ended December 31, 2019. Reproduction of the Audited DH 2019 Financial Statements together with other financial disclosure will give investors a better overall picture of the financial performance of our Group as enlarged by the addition of Deutsche Hospitality.

As PwC Germany is not a certified public accountant qualified under the PAO, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 4.03 of the Hong Kong Listing Rules to permit our Company to appoint PwC Germany as independent auditors for the purpose of reproducing the Audited DH 2019 Financial Statements in the Prospectus on the following grounds and conditions:

- (a) the Accountants' Report was prepared in compliance with Rules 4.04(3)(a), 4.05 and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3) of the Third Schedule of the Companies (WUMP) Ordinance, save for those provisions in respect of which waivers or exemptions have been obtained. The reproduction of the Audited DH 2019 Financial Statements in the Prospectus is not required under the Hong Kong Listing Rules or the Companies (WUMP) Ordinance;
- (b) PwC Germany was appointed as independent auditors of the Audited DH 2019 Financial Statements. The Audited DH 2019 Financial Statements were incorporated by reference into our offering memorandum for a private offering of convertible notes in May 2020 on a voluntary basis for commercial reasons. Further, PwC Germany has been appointed by Steigenberger Hotels AG as its independent auditors since 2004. The Audited DH 2019 Financial Statements include the historical financial information for the year ended December 31, 2019 of Steigenberger Hotels AG and its 31 subsidiaries and affiliates organized and existing under the laws of Germany, Dubai UAE, Denmark and other jurisdictions, with 108 hotels located across 20 countries in Europe, the Middle East, South Asia and Africa and the appointment of other accountants in Hong Kong qualified under the PAO to audit the financial information of Deutsche Hospitality for the year ended December 31, 2019 will involve such other accountants having to undertake a detailed review of Steigenberger Hotels AG's consolidated annual accounts afresh. It would be costly, time consuming and unduly burdensome to appoint other accountants qualified under the PAO to audit the financial information of Deutsche Hospitality for the year ended December 31, 2019 for inclusion in the Prospectus;
- (c) PwC Germany is a member firm of PricewaterhouseCoopers International Limited, an accounting network with an international name and reputation. All member firms of the PwC network adopt a consistent global audit approach which is designed to support consistency of service quality and adherence to the framework of audit methodology;
- (d) PwC Germany is registered under the applicable laws of Germany and is a member of the Wirtschaftsprüferkammer ("WPK") and Institut der Wirtschaftsprüfer ("IDW"), which are members of the International Federation of Accountants ("IFAC"), a global organisation for the accountancy profession. PwC Germany is subject to the independent oversight of the Abschlussprüferaufsichtsstelle (APAS-Auditor Oversight Body ("AOB")) at the Federal Office for Economic Affairs and Export Control, a regulatory body of Germany. Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority ("BaFin")) in Germany is a signatory to the International Organization of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information;

- (e) PwC Germany is independent from our Group and Deutsche Hospitality under the statements on independence issued by the IFAC; and
- (f) PwC Germany is named as an expert in the Prospectus and will be liable under the Companies (WUMP) Ordinance in the same way as reporting accountants qualified under the PAO.

### **Disclosure requirements relating to the Accountants' Report**

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

- balance sheet at a company level;
- ageing analysis of accounts receivables;
- ageing analysis of accounts payables; and
- adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last financial year reported on.

In accordance with the U.S. GAAP, we have applied the full retrospective approach or 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 our Group, comparative periods in the latest consolidated financial statements are not retrospectively adjusted.

During the Track Record Period, we adopted, among other new accounting standards that did not have a material impact on our consolidated financial statements, Accounting Standards Update 2014-09 "Revenue from Contracts with Customers (Topic 606)" and related amendments and implementation guidance ("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, ("ASU 2016-01"), and Accounting Standards Update 2016-02 "Leases (Topic 842)", including certain transitional guidance and subsequent amendments ("ASC 842"). The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the Accountants' Report in Appendix IA to the Prospectus.

ASC 606 was adopted by us on January 1, 2018 utilizing the full retrospective approach as of January 1, 2016.

ASU 2016-01, which amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments, was adopted on January 1, 2018. Our Group applied this update by a cumulative-effect adjustment to the retained earnings as of January 1, 2018. After the adoption of this new accounting update in 2018, our Group measured long-term investments other than equity method investments which has readily determinable fair values at fair value through earnings, which could vary significantly quarter to quarter. For those investments without readily determinable fair values, our Group elected to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these investments were reported in current earnings, whereas the fair value changes of these investments were recorded in other comprehensive income in previous financial years prior to the adoption. Upon the adoption of ASU 2016-01 on January 1, 2018, our Group recognizes a cumulative effect adjustment for the net unrealized gains/losses related to marketable equity securities of RMB41 million from accumulated other comprehensive income to the opening balance of retained earnings in the period of adoption. The adoption of other requirements of ASU 2016-01 does not have a material impact on the consolidated financial statements of our Group. The full retrospective application of ASU 2016-01 is not permitted under the U.S. GAAP. Any adjustments to the historical financial information in the comparative periods arising from the full retrospective application of ASU 2016-01 will create confusion to the existing investors in the United States market and it may be misleading to disclose such information in the Accountants' Report in Appendix IA to the Prospectus.

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, the date of initial application, and no adjustments were made to the comparative periods. Adoption of the new lease standard resulted in the recognition of operating lease right-of-use assets and operating lease liabilities on the consolidated balance sheet as of January 1, 2019. The adoption of the new lease standard resulted in recognized right-of-use (“**ROU**”) assets of RMB18,940 million and related lease liabilities of RMB19,438 million for operating leases. Our Company reclassified from assets and liabilities RMB498 million net to ROU assets. The adoption of ASU 2016-02 did not materially affect the consolidated statements of income or consolidated statements of cash flows and had no impact on the debt covenant compliance under the current agreements as our Company has obtained waiver of debt covenant for June 30, 2020 from banks.

Disclosure of the accounting policies for the adoption of ASC 606, ASU 2016-01 and ASC 842 as well as the impact of adoption, being alternative disclosures with respect to certain items identified above which are relevant to our Company, are included in the Accountants' Report in Appendix IA to the Prospectus.

None of the new accounting standards that came into effect in the financial year of 2020 has a material impact upon adoption.

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 our Group. We believe that it would be of no material value to the Hong Kong investors for the Accountants' Report in Appendix IA to the Prospectus to include certain required information pursuant to Rules 4.04(3), 4.05(2) and 4.13 of the Hong Kong Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (WUMP) Ordinance and the non-disclosure of such information will not prejudice the interests of the investors and full compliance with the relevant requirements would be unduly onerous and burdensome to our Company.

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), 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 (WUMP) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted an exemption referred to above on the conditions that: (i) the particulars of such exemption are set out in the Prospectus; and (ii) the Prospectus will be issued on or before September 11, 2020.

### **Pro forma financial information**

Rule 4.29(1) of the Hong Kong Listing Rules provides that, where an issuer includes pro forma financial information in any document (whether or not such disclosure of pro forma financial information is required under the Hong Kong Listing Rules), the pro forma financial information must provide investors with information about the impact of the transaction which is the subject of the document. Rule 4.29(6)(b) of the Hong Kong Listing Rules provides that any adjustments made in relation to any pro forma statement must be directly attributable to the transaction concerned and not relating to future events or decisions.

Given the significance of the DH Acquisition, the unaudited pro forma condensed combined financial information for the year ended December 31, 2019 combining the historical consolidated income statements of our Company (prepared in accordance with the U.S. GAAP) and Steigenberger Hotels AG (prepared in accordance with IFRS and reconciled into U.S. GAAP), giving effect to the DH Acquisition as if it had occurred on January 1, 2019 ("**DH Pro Forma**") is set out in Section C of Appendix II to the Prospectus mainly for the following reasons:

- it is not a requirement under the Hong Kong Listing Rules to include the DH Pro Forma in the Prospectus. Consistent with disclosure practices and investor expectations, the disclosure in the Prospectus is expected to be generally consistent with the disclosure in the U.S. Prospectus required by the U.S. securities laws, including rules of the SEC. According to Regulation S-X Rule 3-05 and Article 11, the DH Acquisition was significant and the U.S. Prospectus would be required to include the DH Pro Forma. For equality treatment of Shareholders and investing public, the DH Pro Forma is disclosed in Section C of Appendix II to the Prospectus;
- the DH Pro Forma in Section C of Appendix II to the Prospectus is issued in substantially the same form as the unaudited pro forma condensed combined financial information combining the historical consolidated income statements of our Company and Steigenberger Hotels AG that we furnished to the SEC on the Form 6-K May 2020. No substantial additional work will be required to be performed by us for including the DH Pro Forma in the Prospectus; and



- the DH Pro Forma is intended to illustrate the measurable (based on historically determined amounts) effects of the DH Acquisition. Together with other financial disclosure in the Prospectus, the DH Pro Forma would give investors a better overall picture of the financial performance of our Group as enlarged by the addition of Deutsche Hospitality.

The DH Acquisition is not the subject of the Prospectus. Therefore, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.29(1) and 4.29(6)(b) of the Hong Kong Listing Rules for inclusion of the DH Pro Forma in the Prospectus on the following grounds and conditions:

- (a) the DH Acquisition is not the subject of the Prospectus and the adjustments for the effects of the DH Acquisition made to the financial information set out in the DH Pro Forma is not directly attributable to the transaction concerned in the Prospectus (i.e., the Global Offering), but for the reasons set out in above, it is disclosed in Section C of Appendix II to the Prospectus;
- (b) the DH Pro Forma is prepared based on (i) the audited financial information of our Group for the year ended December 31, 2019 which is set out in the Accountants' Report in Appendix IA to the Prospectus, and (ii) the audited financial information of Deutsche Hospitality for the year ended December 31, 2019 which is set out in the Audited DH 2019 Financial Statements in Appendix IB to the Prospectus and after having incorporated the unaudited pro forma adjustments which are described in the accompanying notes to the DH Pro Forma. Deloitte Touche Tohmatsu ("**Deloitte**"), our reporting accountants, have performed procedures in relation to the DH Pro Forma in accordance with Hong Kong Standard on Assurance Engagement 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in the Prospectus" issued by the Hong Kong Institute of Certified Public Accountants, including, but not limited to, obtaining evidence about the appropriateness of the source from which the unadjusted financial information has been extracted, the appropriateness of the pro forma adjustments and the calculations within the pro forma financial information. The DH Pro Forma is properly compiled on the basis stated; such basis is consistent with the accounting policies of our Group; and the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Hong Kong Listing Rules. Other than the fact that the transaction concerned under the DH Pro Forma is the DH Acquisition instead of the Global Offering (i.e. the subject of the Prospectus), the unaudited pro forma financial information is compiled in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**");

- (c) we believe that the inclusion of the DH Pro Forma in the Prospectus is not misleading as it constitutes part of our financial disclosure and illustrates the isolated and objectively measurable (based on historically determined amounts) effects of the DH Acquisition pursuant to the requirements under Regulations S-X Rule 3-05 and Article 11. The completion of the DH Acquisition took place on January 2, 2020. The DH Pro Forma consists of the consolidated balance sheet which illustrates the financial position of the enlarged group as at December 31, 2019 and the consolidated statement of comprehensive income of the enlarged group for the year ended December 31, 2019. The audited financial information of our Group (including Deutsche Hospitality) for the three months ended March 31, 2020 includes the financial results of Deutsche Hospitality for the period commencing from the completion date, i.e. January 2, 2020 and ended on March 31, 2020. Non-inclusion of financial information of Deutsche Hospitality for January 1, 2020 will not affect the investors' ability in considering the overall performance of the enlarged group and in evaluating Deutsche Hospitality's results over a meaningful period of time; and
- (d) the reporting accountants, Deloitte, have reported on the DH Pro Forma in accordance with Rule 4.29(7) of the Hong Kong Listing Rules.

### **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**").

As at the Latest Practicable Date, we have over 310 subsidiaries, and our ADSs are widely held, publicly traded and listed on NASDAQ. We are therefore not in a position to control the investment decisions of our Shareholders or the investors in the United States. Solely based on public filings with the SEC, as of the Latest Practicable Date, other than Mr. Ji Qi (our Controlling Shareholder, founder, executive chairman of our Board and chief executive officer) together with the other Controlling Shareholders and Invesco Ltd. ("**Invesco**"), there are no Shareholders who are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company. Invesco, our substantial shareholder, and other core connected persons of our Company may from time to time use their Shares as security (including charges and pledges) in connection with their respective financing activities.

For a company whose securities are listed and traded in the United States, it is a common practice for substantial shareholders and corporate insiders, including directors, executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Exchange Act (the "**Rule 10b5-1 Plans**") to buy or sell the company's securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when or whether to effect purchases or sales. Persons who trade securities pursuant to a Rule 10b5-1 Plan have an affirmative defense against insider trading allegations under U.S. securities law.

On the basis of the above, 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:

- our Controlling Shareholders and Invesco (and its subsidiaries and funds through which Invesco controls our ADSs prior to the Relevant Period (the “**Intermediate Entities**”)), each being a substantial shareholder of our Company, in respect of (i) the use of their 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; (ii) any dealings by a close associate of Invesco (other than the Intermediate Entities) in the securities of our Company over which Invesco has no control, provided that such close associate does not have any influence over the Global Offering and does not possess any inside information from our Company; and (iii) any dealings by our Controlling Shareholders, Invesco (and the Intermediate Entities) or and their respective close associates pursuant to any Rule 10b5-1 Plans they have set up prior to the Relevant Period (“**Category 1**”);
- the Directors and chief executive of our Company (other than Mr. Ji Qi), and directors and chief executives of our Major Subsidiaries, in respect of (i) 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; and (ii) their respective dealings pursuant to Rule 10b5-1 Plans they have set up prior to the Relevant Period (“**Category 2**”);
- directors, chief executives and substantial shareholders of our non-Major Subsidiaries and their close associates (“**Category 3**”); and
- any other person (whether or not an existing Shareholder) who may, as a result of dealings, become a substantial shareholder of our Company and who is not a Director or chief executive of our Company, or a director or chief executive of our subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt,

- for the purpose of this waiver, Shares include ADSs;
- 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

- persons in Category 1 and Category 2 who (i) use their respective Shares other than as described in this sub-section headed “Dealings in Shares prior to Listing” or (ii) are not dealing in the securities of our Company according to Rule 10b5-1 Plans set up before the Relevant Period are subject to the restriction under Rule 9.09(b) of the Hong Kong Listing Rules.

As at the Latest Practicable Date, to our best knowledge after due and careful enquiry and save for 16,000,000 ADSs representing 16,000,000 Shares held by East Leader that have been pledged to a third party financial institution to secure a borrowing, no Permitted Person in Category 1 and Category 2 has used his Shares as security during the Relevant Period.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 9.09(b) of the Hong Kong Listing Rules in respect of any dealing during the Relevant Period by the Permitted Persons subject to the following conditions:

- Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in our ADSs after the plans have been entered into. Where Categories 1 and 2 of the Permitted Persons use the Shares as security, other than as set out in the waiver above, there will be no change in the beneficial ownership of the Shares during the Relevant Period;
- Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and have not been provided with any inside information in relation to the Listing in accordance with our internal policy and rules in relation to the management of inside information. Further, Category 3 and 4 of the Permitted Persons are not expected to possess any non-public inside information from our Company given such persons are not provided with inside information by our Company and 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 the 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;
- we will promptly release any inside information to the public in the United States and in Hong Kong in accordance with 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 inside information of which we are aware;
- we will notify the Hong Kong Stock Exchange of any breach of the dealing restrictions by any of our core connected persons during the Relevant Period when we become aware of the same other than dealings by core connected persons who are Permitted Persons within the permitted scopes as set out above; and
- prior to the Listing Date, other than within the permitted scopes as set out above, the Directors and chief executive of our Company and 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. For the avoidance of doubt, such dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of restricted stock units, incentive and non-statutory options, restricted stock, dividend equivalents, share appreciation rights and share payments under the Share Incentive Plans.

## 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 which 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 of the Hong Kong Listing Rules are fulfilled.

As at the Latest Practicable Date, we have over 310 subsidiaries and our ADSs are widely held, publicly traded and listed on the NASDAQ.

Categories 3 and 4 of the Permitted Persons (as defined in sub-section headed “Dealings in Shares Prior to Listing” above) have no influence over the Global Offering and are not in possession of any inside information in relation to the Listing and are effectively in the same positions as our public investors. Categories 3 and 4 of the Permitted Persons and other public investors who will subscribe or purchase Shares in the Global Offering are referred to as “**Permitted Existing Shareholders**”.

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

- (a) each Permitted Existing Shareholder is interested in less than 5% of our Company’s voting rights before the Listing;
- (b) other than the Categories 3 and 4 of the Permitted Persons, each Permitted Existing Shareholder is not a core connected person of our Company or a close associate of a core connected person of our Company;
- (c) the Permitted Existing Shareholders do not have the power to appoint Directors or any other special rights in our Company;
- (d) 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;
- (e) the Permitted Existing Shareholder will be subject to the same book-building and allocation process as other applicants and placees in the Global Offering; and
- (f) to the best of its knowledge and belief, each of our Company, the Joint Sponsors and the Joint Global Coordinators (based on (i) its discussions with our Company and the Joint Global Coordinators and (ii) the confirmations to be submitted to the Hong Kong Stock Exchange by our Company and the Joint Global Coordinators) confirms to the Hong Kong Stock Exchange in writing that no preferential treatment has been, or 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 our Company.

Save for any cornerstone investment by the Permitted Existing Shareholders and their close associates, allocation to the Permitted Existing Shareholders and/or their close associates will not be disclosed in the allotment results announcement of our Company as it would be unduly burdensome for our Company to disclose such information given that there is no requirement to disclose interests under the U.S. Exchange Act unless such person (including directors and officers of the company concerned) who acquires beneficial ownership of more than 5% of equity securities registered under Section 12 of the U.S. Exchange Act.

### **Availability of copies of the prospectus in printed form**

We have adopted a fully electronic application process for the Hong Kong Public Offering and we 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 will adopt additional communication measures as we consider appropriate to inform the potential investors that they can only subscribe for the Hong Kong Offer Shares electronically, such as (i) publishing a formal notice of the Global Offering on our website and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription; (ii) advertising through the White Form eIPO Service Provider the electronic methods for subscription of the Hong Kong Offer Shares; (iii) the enhanced support provided by our Hong Kong Share Registrar and White Form eIPO Service Provider in relation to the Hong Kong Public Offering (including providing additional enquiry hotlines for questions about the application for the Hong Kong Offer Shares and increasing its server capacity); and (iv) reminding investors that no printed prospectuses or application forms will be provided.

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

### **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 its equity securities, debt securities and any other securitized instruments, as applicable, during the period to which the monthly return relates.

Pursuant to the Joint Policy Statement Regarding the Listing of Overseas Companies, companies applying for a secondary listing may seek a waiver from Rule 13.25B of the Hong Kong Listing Rules subject to satisfying the waiver condition that the SFC has granted a partial exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO) in respect of disclosure of shareholders' interests.

As we have obtained a partial exemption from the SFC, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with 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

## 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.06 of the Hong Kong Listing Rules provides that Appendix 3 and Appendix 13 to the Hong Kong Listing Rules do not apply to an overseas issuer that is a Grandfathered Greater China Issuer (as defined in the Hong Kong Listing Rules) seeking a secondary listing under Chapter 19C of the Hong Kong Listing Rules. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to the criteria set out in Rule 19C.07 of the Hong Kong Listing Rules. Our Company is 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 must be approved by a majority of the members or other body of the Qualifying Issuer (as defined in the Hong Kong Listing Rules) that is independent of the issuer's board of directors (the "**Auditors Provision**"). However, our Articles of Association do not contain an equivalent Auditors Provision. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the strict compliance with Rule 19C.07(3) of the Hong Kong Listing Rules on the following conditions and basis:

- (a) our Board has the power to appoint, remove and remunerate the auditors, and our Board has formally delegated this function to the Audit Committee since our listing on the NASDAQ in 2010. The Audit Committee is akin to an independent body of our Board on the basis of the independence requirements as set out in applicable U.S. securities laws and the NASDAQ rules. The Audit Committee comprises three members, all of whom are independent Directors as required by the U.S. Exchange Act and applicable NASDAQ rules, as well as independent non-executive Directors for the purpose of the Hong Kong Listing Rules;
- (b) since 2010, our Company has put forth a resolution at each annual general meeting for Shareholders to ratify auditors' appointment. The resolutions to ratify the appointment of auditors were passed with over 99% of the total votes cast at our annual general meetings in 2017, 2018 and 2019. In the event that such resolution is not ratified at our general meetings, the Audit Committee will appoint another audit firm with the requisite qualifications and competence and such appointment will be ratified by our Shareholders at the next general meeting;
- (c) to ensure that auditors are independent of their audit clients, Rule 10A-3 promulgated under the U.S. Exchange Act mandates that the audit committee, whose voting members must consist entirely of independent directors, be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting). We believe that this legislative mandate effectively prohibits our Board from revoking the power delegated to the Audit Committee relating to the operation of the Auditors Provision;

- (d) we are seeking a listing on the Hong Kong Stock Exchange under Chapter 19C of the Hong Kong Listing Rules; and
- (e) the disclosure of the basis of the waiver is set out in the Prospectus.

***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 must be able to requisition an extraordinary general meeting and add resolutions to a meeting agenda (the "**Requisition Provision**"). 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. However, our Articles of Association does not contain an equivalent Requisition Provision. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the strict compliance with Rule 19C.07(7) of the Hong Kong Listing Rules on the following conditions and basis:

- (a) we will put forth a resolution at each of our annual general meetings after the Listing to revise our Articles of Association, until it provides that the minimum stake required to requisition an extraordinary general meeting and propose resolutions to the agenda of such meeting will be 10% of the voting rights, on a one vote per share basis, in the share capital of our Company;
- (b) we have procured irrevocable undertakings from each of Mr. Ji Qi, Trip.com, AAPC Hong Kong Limited and Mr. John Wu Jiong to vote in favor of the proposed resolution outlined above at each of our annual general meetings after the Listing until our Articles of Association have been amended accordingly, with a view to ensuring that there may be adequate votes in favor of such resolution. As of the Latest Practicable Date, Mr. Ji Qi, Trip.com, AAPC Hong Kong Limited and Mr. John Wu Jiong controlled the voting rights of approximately 33.53%, 7.42%, 5.23% and 2.58% of our outstanding Shares; and
- (c) our Directors undertaking to our Company that they will requisition a general meeting if Shareholders holding in aggregate not less than 10% of voting rights of our Company request to convene such a meeting after the Listing until the Articles of Association is amended to include the Requisition Provision.



## Rules related to spin-off listings

Rule 19C.11 of the Hong Kong Listing Rules provides that, among other things, Paragraphs 1 to 3(b) and 3(d) to 5 of Practice Note 15 of the Hong Kong Listing Rules (“**Practice Note 15**”) do not apply to a Qualifying Issuer within the meaning in Chapter 19C of the Hong Kong Listing Rules that has, or is seeking, a secondary listing on the Hong Kong Stock Exchange. Such exception is limited to circumstances where the spun-off assets or businesses are not to be listed on the Hong Kong Stock Exchange’s markets and the approval of Shareholders is not required.

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

While we not have any specific plans with respect to the timing or details of any potential spin-off listing on the Hong Kong Stock Exchange as at the Latest Practicable Date, in light of our Group’s overall business scale, we may consider spinning off one or more of our mature business units through a listing on the Hong Kong Stock Exchange (each a “**Potential Spin-off**”) within three years after the Listing, if there are clear commercial benefits both to our Company and the businesses to be potentially spun-off and there will be no adverse impact on the interests of Shareholders. As of the Latest Practicable Date, we have not identified any target for a potential spin-off; as a result we do not have any information relating to the identity of any spin-off target or any other details of any spin off and accordingly, there is no material omission of any information relating any possible spin-off in the Prospectus.

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

- no Shareholders’ approval with respect to a Potential Spin-off will be required under our Articles of Association, applicable U.S. regulations and NASDAQ rules. Further, as our Company is a Grandfathered Greater China Issuer within the meaning in Chapter 19C of the Hong Kong Listing Rules and therefore exempt from the requirements under Chapter 14 of the Hong Kong Listing Rules pursuant Rule 19C.11, no Shareholders’ approval will be required under the Hong Kong Listing Rules as well;
- the effect of a spin-off to the Shareholders should be the same regardless of whether or not the businesses to be potentially spun-off are to be listed on the Hong Kong Stock Exchange (save with respect to any preferential rights to subscribe for shares that are commonly provided in spin-offs on the Hong Kong Stock Exchange). Given the fact that certain spin-offs by Grandfathered Greater China Issuers are allowed within three years after their listing in Hong Kong pursuant to Rule 19C.11 of the Hong Kong Listing Rules, we believe that the three-year restriction on spin-offs on the Hong Kong Stock Exchange should also be waived and shall not apply to a Potential Spin-off by our Company;

- in any event, our Company and any subsidiary in respect of which a Potential Spin-off is contemplated will be subject to compliance with all other applicable requirements under the Hong Kong Listing Rules, including the remaining requirements of Practice Note 15 and (in the case of the company to be spun-off) the listing eligibility requirements of Chapter 8 or 19C of the Hong Kong Listing Rules (as the case may be), unless otherwise waived by the Hong Kong Stock Exchange;
- under U.S. securities laws and NASDAQ rules, our Company is not subject to any restrictions similar to the three-year restriction under Paragraph 3(b) of Practice Note 15 in relation to the spin-offs of our businesses, nor is there any requirement for our Company to disclose any details of our potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan; and
- our Directors owe fiduciary duties to our Company, including the duty to act in what they consider in good faith to be in the best interests of our Company; as such they will only pursue a potential spin-off if there are clear commercial benefits both to us and the entity or entities to be spun off; and our Directors will not direct our Company to conduct any spin-off if they believe it will have an adverse impact on the interests of our Shareholders.

The waiver was granted by the Hong Kong Stock Exchange on the following conditions:

- (a) we undertake that prior to any spin-off of our business through a listing on the Hong Kong Stock Exchange within three years after the Listing, we will confirm to the Hong Kong Stock Exchange with basis that the spin-off would not render us, excluding the business to be spun off, incapable of fulfilling either the eligibility or suitability requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules based on the financial information of the entity or entities to be spun-off at the time of the Listing (calculated cumulatively if more than one entity is spun-off);
- (b) we will disclose in the Prospectus the risks relating to the uncertainty and timing of potential spin-offs (see section headed “Risk Factors – Risks Related to Our ADSs, Shares and the Listing – We are exposed to risks associated with the potential spin-off of one or more of our businesses” in the Prospectus);
- (c) any potential spin-offs by our Company will be subject to the requirements of Practice Note 15 (other than Paragraph 3(b) thereof), including that each of our Company and the businesses to be spun off will satisfy the applicable listing eligibility requirements on a standalone basis; and
- (d) disclosure of this waiver in the Prospectus.

We cannot assure that any spin-off will ultimately be consummated, whether within the three-year period after the Listing or otherwise, and any such spin-off will be subject to market conditions at the time and approval by the Listing Committee. In the event that we proceed with a spin-off, our interest in the entity to be spun-off (and its corresponding contribution to the financial results of our Group) will be reduced accordingly.

## **Particulars of any commissions, discounts and brokerages, alterations of capital and authorized debentures**

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

Paragraph 25 of the Third Schedule to the Companies (WUMP) Ordinance requires particulars of the authorized debentures of the company and its subsidiaries to be disclosed in the listing document.

As at the Latest Practicable Date, we have more than 310 subsidiaries. We believe 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 the potential investors.

We have identified a list of operating entities which are responsible for the track record results of our Group as our Major Subsidiaries. For further details, see section headed “History and Corporate Structure – Major Subsidiaries” in the Prospectus. The Major Subsidiaries include, amongst others, all significant operating subsidiaries under the financial threshold of Regulation S-X in the U.S. (i.e., contributing more than 10% of our Group’s total assets or income before income taxes). By way of illustration, after intercompany eliminations, the audited aggregate revenue, net income and total assets of the Major Subsidiaries in respect of which the relevant information is disclosed represents over 73%, 95% and 70% of our Group’s total revenue, net income and total assets for the year ended December 31, 2019, respectively, and over 89%, 91% and 63% of our Group’s total revenue, net income and total assets for the three months ended March 31, 2020, respectively. Our remaining subsidiaries are individually insignificant to our overall results. As such, we have disclosed the particulars of the changes in the share capital of the Major Subsidiaries in the section headed “Statutory and General Information – A. Further Information about our Group – 3. Changes in the share capital of our Major Subsidiaries” in Appendix V to the Prospectus and the particulars of the commissions, discounts, brokerage fee and authorized debentures (if any) in respect of the Major Subsidiaries and our Company are set out in the sections headed “Financial Information – Indebtedness” and “Statutory and General Information – D. Other Information – 9. Miscellaneous” in Appendix V to the Prospectus.

We confirm that all information necessary for the public to make an informed assessment of business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in the Prospectus, and that, as such, the granting of the waiver and exemption from strict compliance with the relevant content requirements under the Companies (WUMP) Ordinance and the Hong Kong Listing Rules will not prejudice the interest of the investing public.

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

### **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.

We set out below the reasons for the waiver from strict compliance with Paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules:

- **the Public Offer Price will be determined by reference to the our ADS price.** Our ADSs are listed and traded on NASDAQ. With a view to aligning the interest of securities holders in both United States and Hong Kong, the Public Offer Price will be determined with reference to, among other factors, the closing price of our ADSs on NASDAQ on the last trading day on or before the Price Determination Date. The market price of our ADSs traded on NASDAQ is subject to various factors including the overall market conditions, the global economy, the industry updates, etc., and is not within our control;
- **Negative impact on the market price of our ADSs and Offer Shares.** Setting a fixed price or a price range with a low-end offer price per Offer Share may be regarded by the investors and Shareholders as an indication of the current market value of the Shares, which may adversely affect the market price of our ADSs and the Offer Shares; and
- **Compliance with Companies (WUMP) Ordinance.** Pursuant to Paragraph 10(b) of the Third Schedule to the Companies (WUMP) Ordinance, the price to be paid for shares subscribed for shall be specified in the prospectus. On this basis, disclosure of a maximum Public Offer Price complies with the requirements prescribed under Paragraph 10(b) of the Third Schedule to the Companies (WUMP) Ordinance, which provides clear indication of the maximum subscription consideration which a potential investor shall pay for Hong Kong Offer Shares.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules based on the reasons above, so that we have only disclosed the maximum Public Offer Price for the Hong Kong Offer Shares in the Prospectus.

See section headed “Structure of the Global Offering – Pricing and Allocation” in the Prospectus for (i) the time for determination of the Public Offer Price and form of its publication; (ii) the historical prices of our ADS and trading volume on NASDAQ; and (iii) the source for investor to access the latest market price of our ADS.

## **Disclosure of information on subsidiaries whose profits or assets make material contribution to our Company**

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 (WUMP) 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, or whose profits or assets make, or will make, a material contribution to the figures in the accountants' report or the next published financial statements of the company.

We believe that it would be unduly burdensome for us to procure this information for the reasons as set out in the sub-section headed "Particulars of any commissions, discounts and brokerages, alterations 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 and Corporate Structure – Major Subsidiaries" in, and "Statutory and General Information – A. Further Information about our Group" in Appendix V 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 also applied for, and the SFC has granted, an exemption from the requirements under Paragraph 29 of the Third Schedule to the Companies (WUMP) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted an exemption referred to above on the conditions that: (i) the particulars of such exemption are set out in the Prospectus; and (ii) the Prospectus will be issued on or before September 11, 2020.

## **Disclosure requirements in respect of indebtedness and liquidity**

Paragraph 32 of Part A of Appendix 1 to the Hong Kong Listing Rules requires a listing document to include a statement (or an appropriate negative statement) of a new applicant's indebtedness as at a specified most recent practicable date (the "**Most Recent Practicable Date**"), and a commentary on its liquidity, financial resources and capital structure (together, the "**Liquidity Disclosure**"). In accordance with Hong Kong Stock Exchange Guidance Letter HKEX-GL37-12 ("**HKEX-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 the final date of the listing document.

As the Prospectus is published on September 11, 2020, we are required to make the relevant indebtedness and liquidity disclosures no earlier than July 11, 2020 pursuant to HKEX-GL37-12. Based on the expected timetable for the Listing, we will be required to publish our interim report for the six months ending June 30, 2020 shortly following the Listing. We have also included the relevant indebtedness and liquidity disclosures as of June 30, 2020 in the Prospectus. It would be unduly burdensome for us to re-arrange information for similar Liquidity Disclosure on a consolidated basis shortly after the end of the second quarter of our financial year.

Strict compliance with the Liquidity Disclosure requirements would constitute additional one-off disclosure by us of our liquidity position on a date that would fall within the third quarter of our financial year (i.e., a date that would fall between June 30, 2020 and September 30, 2020), which would be otherwise not required to be disclosed to investors in the U.S. under applicable U.S. regulations and NASDAQ rules because we typically only announce quarterly results at the end and not in the middle of any quarter of our financial year. Such one-off disclosure is likely to confuse our existing investors and deviates from our customary practice and that of other NASDAQ listed companies.

We have an adequate liquidity to fund our working capital and meeting our capital expenditure requirements and other liabilities and commitments when due for the year 2020. We further raised US\$500 million in May 2020 by issuing convertible senior notes due 2026. In any event, if there are any material change to the Liquidity Disclosures since June 30, 2020, we will be required to make an announcement pursuant to the U.S. regulations and NASDAQ rules and disclose relevant material facts in the listing document pursuant to the Hong Kong Listing Rules. We have disclosed our liquidity position as at June 30, 2020 in the Prospectus and included a statement that since June 30, 2020 and up to the Latest Practicable Date, there has not been any material and adverse change in our indebtedness and contingent liabilities whilst any such material and adverse change would have been disclosed in the Prospectus.

In the event that there has been no material change to the Liquidity Disclosures since June 30, 2020, any similar disclosures made pursuant to HKEX-GL37-12 would not give additional meaningful information to the potential investors.

We have also disclosed certain key financial performance for the three months ended or as of June 30, 2020 in the section headed “Summary – Recent Developments” of the Prospectus which would assist the investors to have a better assessment of our financial position.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from compliance with the timing requirements for the Liquidity Disclosure in the listing document under HKEX-GL37-12, on the condition that the reported date of indebtedness and liquidity information in the listing document will not exceed the requirement under HKEX-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 listing document would be no more than three calendar months).

### **Disclosure requirements of Directors’ and five highest individuals’ emolument**

Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information in respect of directors’ emoluments during the three financial years ended December 31, 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 – Remuneration of Directors and Senior Managements” of the Prospectus. We confirm that the current disclosure complies with the US annual reporting requirements (unless individual disclosure is required by the Cayman Islands, the jurisdiction of incorporation of our Company or otherwise made public) and is in line with our disclosure in our annual report 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 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 listing document.

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

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 shareholders’ interests are disclosed in the section headed “Major Shareholders” in the Prospectus.

We have applied for, and the Hong Kong Stock Exchange has granted, waivers 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 on the following conditions:

- (a) the SFC granting our Company and our Shareholders a partial exemption from strict compliance with Part XV of the SFO;
- (b) our Company 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 Company 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 Shareholder.

### **Determination of whether a company is a “public company in Hong Kong”**

Section 4.1 of the Introduction to the 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 our Company will not be regarded as a “public company in Hong Kong” for the purposes of the Takeovers Codes. Therefore, the Takeovers Codes do not apply to our Company. In the event that the bulk of trading in the Shares migrates to Hong Kong such that our Company 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 our Company.

### **Disclosure of interests**

Part XV of the SFO imposes duties of disclosure of interests in Shares. Under the U.S. Exchange Act, which our Company is 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 our Company 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 particulars of debenture holders

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

In November 2017 and in May 2020, we issued US\$475 million and US\$500 million, respectively, in aggregate principal amounts of convertible senior notes (collectively, the “**Convertible Notes**”) to a large number of investors that we believe are Independent Third Parties. Please refer to the section headed “Financial Information – Outstanding Indebtedness” for further details of the Convertible Notes.

Consistent with market practice, The Depository Trust Company (“**DTC**”) (which is the clearing agency generally used for debt and equity security clearance in the U.S.), has acted as depository with respect to the Convertible Notes. The global notes representing the Convertible Notes are registered in the name of Cede & Co. (as DTC’s nominee) and deposited with the trustee as custodian for Cede & Co.

To our knowledge, (a) financial institutions, including broker-dealers, hold and trade the Convertible Notes through their participant accounts with DTC; (b) ultimate noteholders that do not have participant accounts with DTC typically hold and trade the Convertible Notes in the names of their brokers through their brokers’ participant accounts with the DTC; (c) the Convertible Notes are frequently traded among investors and hence the identities of the ultimate noteholders may change constantly; and (d) the trustee does not have information on the identities of the ultimate noteholders and at most, would only be able to order a fee based report to ascertain the identities of the DTC participants/brokers through which the Convertible Notes are traded.

We have applied for, and the SFC has granted, a certificate of exemption from the requirements under Paragraph 10 of the Third Schedule to the Companies (WUMP) Ordinance, to the extent not strictly met by the disclosure in the Prospectus on the following basis:

- (a) since the identities of the ultimate noteholders are practically unavailable and given the expected frequent changes of the identities of the ultimate noteholders, it would be practically impossible for us to disclose the names and addresses of such ultimate noteholders (which are Independent Third Parties) in the Prospectus. This disclosure, even if it can be made, would also not provide meaningful information to the potential investors of our Company;
- (b) strict compliance with the applicable disclosure requirements under Paragraph 10 of the Third Schedule to the Companies (WUMP) Ordinance for each ultimate noteholder on an individual basis (including the disclosure of names and addresses of all noteholders) in the Prospectus will be unduly burdensome on us in light of the practical impossibility in identifying the ultimate noteholders and the potentially significant increase in cost and time for information compilation, prospectus preparation and printing;

- (c) material information relating to the Convertible Notes has been disclosed in the section headed “Financial Information – Outstanding Indebtedness” and Note 9 (Debt) to Appendix IA of the Prospectus, including but not limited to the principal amounts, the maturity dates, the annual coupon rate, the conversion mechanism including the conversion rates and adjustments, the maximum number of Shares that could be converted from the Convertible Notes, the potential dilution effect upon full conversion of the Convertible Notes, the noteholders’ rights to require our Company to repurchase the Convertible Notes, and redemption rights of our Company. Accordingly, information that should be reasonably necessary for potential investors to make an informed assessment of our Company in their investment decision process has been included in the Prospectus; and
- (d) non-compliance with the abovementioned disclosure requirements under Paragraph 10 of the Third Schedule to the Companies (WUMP) Ordinance would not prevent us from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company and would not prejudice the interests of the investing public.

The SFC has granted an exemption referred to above on the following conditions:

- (a) in respect of the Convertible Notes issued by our Company, the following details are fully disclosed in the Prospectus:
  - the total principal amount of the Convertible Notes;
  - the maximum number of Shares to be converted from the Convertible Notes;
  - the conversion rate of the Convertible Notes; and
  - the conversion period of the Convertible Notes;
- (b) the potential dilution effect upon full conversion of the Convertible Notes issued is set out in the Prospectus;
- (c) the particulars of such exemption are set out in the Prospectus; and
- (d) the Prospectus will be issued on or before September 11, 2020.

## **CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE HONG KONG LISTING RULES**

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 Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. Subject to the Hong Kong Stock Exchange granting the waiver described as below, the Hong Kong Public Offering and the International Offering will initially account for 10% and 90% of the Global Offering, respectively, subject to the clawback mechanism described below.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements of paragraph 4.2 of Practice Note 18 to the Hong Kong Listing Rules such that the allocation of the Offer Shares in the Hong Kong Public Offering will be adjusted as follows:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 13 times or more but less than 45 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 2,859,200 Offer Shares, representing approximately 14% of the Offer Shares initially available under the Global Offering (before exercise of the Over-allotment Option);
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 45 times or more but less than 91 times 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 3,880,300 Offer Shares, representing approximately 19% of the Offer Shares initially available under the Global Offering (before exercise of the Over-allotment Option); and
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 91 times or more 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 7,556,200 Offer Shares, representing approximately 37% of the Offer Shares initially available under the Global Offering (before exercise of the Over-allotment Option).

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 Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offer Shares to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with the Guidance Letter HKEx-GL91-18 issued by the Hong Kong Stock Exchange, if such allocation is done other than pursuant to Practice Note 18 of the Hong Kong Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 4,084,600 Shares).

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

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

### **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.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 13.48(1) of the Hong Kong Listing Rules in relation to the six months ended June 30, 2020 on, among others, the following grounds:

- as we have included the audited financial information of our Group in respect of the three months ended March 31, 2020 in the Prospectus and other financial disclosure in (a) Appendix IC to the Prospectus and (b) the sections headed “Summary – Recent Developments – Financial Results for the Second Quarter of 2020”, “Summary – Recent Developments – Results of Hotel Operations of Legacy Huazhu” and “Summary – Recent Developments – Results of Hotel Operations of Legacy DH” of the Prospectus, strict compliance with the requirements under Rule 13.48(1) of the Hong Kong Listing Rules would not provide our Shareholders and potential investors of our Company with additional material information not already contained in the Prospectus; and
- to require our Company to prepare, publish and send to our Shareholders an interim report over a short period of time after the publication of the Prospectus would incur unnecessary administrative cost and time on the part of our management and be unduly burdensome for us.

We confirm that our Company would not be in breach of its constitutional documents or laws or regulations of the Cayman Islands or any other regulatory requirements for not preparing, publishing and sending an interim report under the Hong Kong Listing Rules to the Shareholders for the six months ended June 30, 2020.