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

ANNOUNCEMENT OF THE RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

The Board of Directors (the “**Board**”) of Meituan 美团(the “**Company**”) is pleased to announce the unaudited consolidated results of the Company for the three and six months ended June 30, 2021. These interim results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting.”

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

KEY HIGHLIGHTS

Financial Summary

	Unaudited Three Months Ended				Year-over- year change
	June 30, 2021		June 30, 2020		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB in thousands, except for percentages)</i>				
Revenues	43,759,232	100.0%	24,721,837	100.0%	77.0%
Operating (loss)/profit	(3,251,705)	(7.4%)	2,174,645	8.8%	NA
(Loss)/profit for the period	(3,356,375)	(7.7%)	2,210,181	8.9%	NA
Non-IFRS Measures:					
Adjusted EBITDA	(1,239,986)	(2.8%)	2,610,255	10.6%	NA
Adjusted net (loss)/profit	(2,217,141)	(5.1%)	2,718,478	11.0%	NA

	Unaudited Six Months Ended				<u>Year-over- year change</u>
	<u>June 30, 2021</u>		<u>June 30, 2020</u>		
	<u>Amount</u>	<u>As a percentage of revenues</u>	<u>Amount</u>	<u>As a percentage of revenues</u>	
	<i>(RMB in thousands, except for percentages)</i>				
Revenues	80,775,494	100.0%	41,475,724	100.0%	94.8%
Operating (loss)/profit	(8,018,712)	(9.9%)	459,115	1.1%	NA
(Loss)/profit for the period	(8,202,637)	(10.2%)	630,903	1.5%	NA
Non-IFRS Measures:					
Adjusted EBITDA	(3,622,669)	(4.5%)	2,651,566	6.4%	NA
Adjusted net (loss)/profit	(6,108,858)	(7.6%)	2,502,130	6.0%	NA

Financial Information by Segment

	Unaudited Three Months Ended		
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Year-over- year change</u>
	<i>(RMB in thousands, except for percentages)</i>		
Revenues:			
Food delivery	23,125,084	14,544,095	59.0%
In-store, hotel & travel	8,602,179	4,543,982	89.3%
New initiatives and others	12,031,969	5,633,760	113.6%
Total revenues	<u>43,759,232</u>	<u>24,721,837</u>	77.0%
Operating (loss)/profit:			
Food delivery	2,447,076	1,253,421	95.2%
In-store, hotel & travel	3,663,818	1,891,563	93.7%
New initiatives and others	(9,238,125)	(1,459,539)	NA
Unallocated items ¹	(124,474)	489,200	NA
Total operating (loss)/profit	<u>(3,251,705)</u>	<u>2,174,645</u>	NA

¹ Unallocated items mainly include (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions, (iii) fair value changes on other financial investments at fair value through profit or loss, and (iv) other gains, net.

	Unaudited		
	Six Months Ended		
	June 30, 2021	June 30, 2020	Year-over- year change
	<i>(RMB in thousands, except for percentages)</i>		
Revenues:			
Food delivery	43,700,494	24,034,518	81.8%
In-store, hotel & travel	15,186,570	7,638,960	98.8%
New initiatives and others	21,888,430	9,802,246	123.3%
Total revenues	<u>80,775,494</u>	<u>41,475,724</u>	94.8%
Operating (loss)/profit:			
Food delivery	3,562,961	1,182,540	201.3%
In-store, hotel & travel	6,412,023	2,571,742	149.3%
New initiatives and others	(17,282,570)	(2,823,256)	NA
Unallocated items ²	(711,126)	(471,911)	50.7%
Total operating (loss)/profit	<u>(8,018,712)</u>	<u>459,115</u>	NA
Operating Metrics			
	Twelve Months Ended		
	June 30, 2021	June 30, 2020	Year-over- year change
	<i>(in millions, except for percentages)</i>		
Number of Transacting Users	628.4	457.3	37.4%
Number of Active Merchants	7.7	6.3	23.5%
	<i>(units, except for percentages)</i>		
Average number of transactions per annual Transacting User	32.8	25.7	27.8%
	Three Months Ended		
	June 30, 2021	June 30, 2020	Year-over- year change
	<i>(in millions, except for percentages)</i>		
Gross Transaction Volume of food delivery	173,603.3	108,827.1	59.5%
Number of food delivery transactions ³	3,541.4	2,228.9	58.9%
Number of domestic hotel room nights	140.8	78.0	80.5%

² Unallocated items mainly include (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from acquisitions, (iii) fair value changes on other financial investments at fair value through profit or loss, and (iv) other gains, net.

³ Our IP model, for which we organize and provide food delivery services, accounts for about 66.7% and 66.5% of total food delivery transactions in the second quarter of 2021 and in the same period of 2020, respectively.

BUSINESS REVIEW

Company Financial Highlights

For the second quarter of 2021, Meituan continued to serve as China's leading e-commerce platform for services, providing greater value for our consumers, merchants, delivery riders, business partners, and the larger society. We continued to showcase strong growth momentum, with revenues increasing by 77% in the second quarter of 2021 to RMB43.8 billion from RMB24.7 billion for the same period of 2020. Our food delivery and in-store, hotel & travel segments maintained high growth during the quarter, realizing an aggregate operating profit by segment of RMB6.1 billion in the second quarter of 2021, an increase from RMB3.1 billion for the same period of 2020. On the other hand, operating loss for the new initiatives and others segment widened as we continue to invest in areas that will bring long-term value to the Company and provide consumers and our merchants with better products and services. As a result, both adjusted EBITDA and adjusted net loss experienced negative year-over-year growth for the second quarter of 2021 and decreased to negative RMB1.2 billion and RMB2.2 billion, respectively. Our net cash flows generated from operating activities decreased to RMB2.9 billion in the second quarter of 2021 from RMB5.6 billion for the same period of 2020. We had cash and cash equivalents of RMB71.4 billion and short-term treasury investments of RMB51.1 billion as of June 30, 2021, compared to the balances of RMB17.8 billion and RMB35.3 billion as of March 31, 2021, respectively.

Company Business Highlights

Food delivery

In the second quarter of 2021, we continued to witness strong growth in the food delivery segment. As food delivery continued to be an essential service, we expanded our supplies with more depth and breadth to better meet the evolving demand from consumers. Furthermore, we continued to improve economies of scale and strengthen our advantages in consumer base, merchant base, and delivery network, enabling us to achieve solid growth and higher efficiency. During the second quarter of 2021, GTV of our food delivery business increased by 59.5% year-over-year to RMB173.6 billion. Daily average number of food delivery transactions increased by 58.9% year-over-year to 38.9 million. Revenue increased by 59.0% year-over-year to RMB23.1 billion. Operating profit increased 95.2% to RMB2.4 billion in the second quarter of 2021, with operating margin further improving to 10.6% from 8.6%.

As we continued to provide wider selections on our platform and offer longer distance deliveries, we were able to satisfy the increasingly diverse needs from consumers. We maintained solid growth in both transacting users and purchase frequency. Thanks to our enhancement in marketing efficiency, the effective membership program, and the stratified operations among various consumption scenarios. Moreover, we penetrated more deeply in lower-tier markets, with most of our new users coming from lower-tier cities. Order contribution from breakfast, afternoon tea, and late-night snack further increased, and long-distance orders became a more meaningful part of the total food delivery orders. The growth in our consumer base and transaction frequency not only reflects consumers' increasing preferences for food delivery, but also demonstrates their ongoing trust of our platform and services.

On the merchant side, we continued to onboard high-quality restaurants, as well as small and medium-sized merchants. We introduced a new fee structure that is more transparent and offers greater delivery flexibility to merchants, and it became widely adopted. This quarter, we also focused on helping restaurant merchants run online operations with higher efficiency. We launched a new “Food Delivery Manager” program, aiming to help small and medium-sized merchants adapt to online operations, especially in aspects such as operational diagnosis, store renovation, menu design, event planning, marketing, and so on. We are delighted to see that those who participated in the program posted visible business growth versus before. As the industry leader, we are highly motivated to solve merchants’ pain points, provide more convenience and support, help merchants embrace digitization, and improve their operational efficiency.

With respect to delivery network, we utilized differentiated delivery solutions to cope with different consumption scenarios and different merchant types. To effectively operate such world largest on-demand delivery network, we understand the importance of delivery riders, and we have launched several programs and measures to improve delivery riders’ overall benefits. Through panel discussions with delivery riders, we collected feedback to improve our business operations and enhance the delivery riders’ welfare. We also established and upgraded various charity programs that were designed to improve the well-being of delivery riders’ families and children, providing them with care and support. Moreover, we helped delivery riders with long-term career development through our “Delivery Station Manager” program. Going forward, we believe there are a lot more that we can do with the help of technology. For example, the assimilation of autonomous delivery vehicles and drones into our delivery network in the future would further relieve our delivery riders and help them improve delivery efficiency.

In-store, hotel & travel

Our in-store, hotel & travel segment continued to post steady growth, with revenue growing by 89.3% year-over-year to RMB8.6 billion in the second quarter of 2021. Operating profit increased 93.7% to RMB3.7 billion in the second quarter of 2021 from RMB1.9 billion in the same period of 2020, and with operating margin increasing to 42.6% from 41.6%.

For in-store dining, GTV growth further accelerated from that of the previous quarter. We expanded the coverage of high-quality restaurants, introduced more light-meal options on our platform, and further enhanced operational capabilities. We also upgraded our transaction-based services and advertising products, and offered differentiated solutions to merchants. We intentionally lowered the price for subscription-based services to encourage more merchants to adopt our advertising products. Meanwhile, our CPC advertising products also penetrated more deeply to a broader merchant base. As a result, consumers became increasingly willing to use the transaction products on our platform to dine out, improving transaction frequency and user stickiness for the quarter.

For other in-store services, we continued to see accelerated GTV growth. Categories such as medical aesthetics, pet care, and healthcare all achieved stellar performance. We also leveraged various festivals and campaigns, such as “Labour Day”, “Tomb Sweeping Day”, and “Dragon Boat Festival”, to connect more merchants with consumers. On the operational side, we expanded our direct sales team to cover wider consumption categories and broader lower-tier markets, which effectively increased our annual active merchants base. Nevertheless, we believe that most lower-tier markets are still underserved, with consumer demand and merchant needs yet to be met, leaving ample room for future digitization. Thus going forward, we will continue to expand direct sales team in the appropriate markets, while improving our products and services to reach more consumers.

For hotel booking, demand for travel continued to rise compared to the previous quarter. Our domestic room nights surpassed 140 million for the second quarter of 2021, representing a stellar 81% year-over-year growth, and a two-year CAGR of 22% from the same period of 2019. For high-star hotels, we continued to increase platform supply to meet the changing demand from consumers, and further strengthened our service quality and operational capabilities. For low-star hotels, we solidified our leading position, and continued to penetrate further into lower-tier markets, through the accelerated digitization process and offline traffic conversion.

New initiatives and others

During the second quarter of 2021, we expanded investments in new initiatives, especially around retail, which corresponds perfectly with our “Food+Platform” strategy. Revenues from the new initiatives and others segment increased by 113.6% year-over-year to RMB12.0 billion, primarily driven by the growth in retail businesses, B2B food distribution services, and bike-sharing and moped services. Operating loss for the segment increased both year-over-year and quarter-over-quarter to RMB9.2 billion in the second quarter of 2021, while operating margin improved sequentially by 4.8 percentage points to negative 76.8%.

Meituan Select, our community e-commerce business, remained our largest investment area in this quarter. We further expanded our geographical footprints, and deepened our penetration into lower-tier markets. We helped hundreds of thousands of villagers to become group leaders, which effectively increased their personal income. We achieved solid user growth and further cultivated consumer behavior, and focused on providing consistently better products and experience to consumers. We also continued to make substantial investments to improve our product offerings, supply chain, and fulfillment capabilities. We built a nationwide cold chain logistics to ensure quality products and delivery of fresh produce. As our business scaled up, the operating efficiency and unit economics also improved. Going forward, we will continue to channel resources to develop long-term capabilities, comply with regulations, create value for all participants in the ecosystem, and fulfill our social responsibility.

For Meituan Instashopping, we further expanded our merchant base and product coverage. By deepening our collaborations with FMCG brands directly, we help these brands reach more target customers and improve marketing efficiency. Moreover, our user growth accelerated, driving solid growth in transaction volume growth and GTV growth. With regard to category breakdown, flowers and medicine maintained high growth momentum, and continued to outperform other categories. We believe that the on-demand delivery of medicine has large potential, so we provided convenient delivery of medicine to consumers on a 24/7 basis to solve people's most urgent medical needs. As a result, our quarterly number of transactions and GTV growing north of 140% year-over-year in the second quarter of 2021.

For Meituan Grocery, we strengthened our product and service qualities to provide consumer with better experience. We completed our coverage expansion in existing tier-1 cities, and increased our warehouse density. We also optimized our product structure, enhanced warehousing capabilities and strengthened delivery logistics to ensure quality. Thanks to our continuous investments and optimization, we are pleased to see that our quarterly transacting users and quarterly GTV both increased.

As the industry leader, we firmly believe in our mission that “We help people eat better, live better”, and set our business goals from a long-term perspective. In the second quarter of 2021, we broadened our service scope and optimized our product and service qualities to better satisfy consumer demand, enabling us to extend touchpoints with our consumers, particularly for those from lower-tier markets. We also worked towards serving a greater number of merchants, especially small and medium-sized merchants, helping them adapt to digitization and improve daily operations. Moreover, we further enhanced our on-demand delivery network to expand delivery service from food to non-food categories, bringing more convenience and wider selections for consumers. Most significantly, we know what we have achieved today is largely attributable to the hard work of our delivery riders, and we consider their welfare to be of the utmost importance. We have not only continued to improve their benefits, but also taken steps to care for their personal and family well-being as well as their long-term career paths. Going forward, we will continue to listen attentively to our delivery riders, value their perspectives, improve their welfare to the best of our ability, and work side by side with them to jointly promote the development of the industry. During the recent unprecedented flood in Henan Province, our delivery riders stood firmly at their posts, and played valuable role ensuring the livelihood of people from flooded areas. Some even risked their own lives to save others and help evacuate trapped people. In addition, we opened up our warehouse inventories of the retail business in Zhengzhou, and donated food and daily necessities to victims at their most dire needs. We also assisted with the allocation and distribution of emergency goods under the leadership of local governments. Moreover, our hotel business reacted quickly to coordinate a number of hotels that were able to operate during the crisis to provide emergency refuge for the public. To express our sincere gratitude for the support that they offered, we will provide preferential terms such as special subsidies for these merchants in the future. Our Meituan Charity Foundation donated RMB100 million to provide shelter and post-disaster healthcare services to the suffering people. Our delivery riders, along with our business segments are trying our best to give back to the society for the trust in us, and take on more social responsibilities. We will never stop creating greater value for all the participants in our ecosystem and promoting “common prosperity” for the larger society.

MANAGEMENT DISCUSSION AND ANALYSIS

The Second Quarter of 2021 Compared to the Second Quarter of 2020

The following table sets forth the comparative figures for the second quarter of 2021 and 2020:

	Unaudited	
	Three Months Ended	
	June 30,	June 30,
	2021	2020
	<i>(RMB in thousands)</i>	
Revenues		
Commission	26,900,050	15,911,364
Online marketing services	7,215,696	4,323,011
Interest revenue	341,468	201,730
Other services and sales	9,302,018	4,285,732
	43,759,232	24,721,837
Cost of revenues	(31,245,861)	(16,146,879)
Gross profit	12,513,371	8,574,958
Selling and marketing expenses	(10,848,627)	(4,172,332)
Research and development expenses	(3,900,794)	(2,376,737)
General and administrative expenses	(2,053,024)	(1,158,092)
Net provision for impairment losses on financial assets	(104,355)	(45,676)
Fair value changes on other financial investments at fair value through profit or loss	164,748	346,689
Other gains, net	976,976	1,005,835
Operating (loss)/profit	(3,251,705)	2,174,645
Finance income	112,118	40,352
Finance costs	(263,269)	(60,731)
Share of gains of investments accounted for using equity method	38,251	42,881
(Loss)/profit before income tax	(3,364,605)	2,197,147
Income tax credits	8,230	13,034
(Loss)/profit for the period	(3,356,375)	2,210,181
Non-IFRS measures:		
Adjusted EBITDA	(1,239,986)	2,610,255
Adjusted net (loss)/profit	(2,217,141)	2,718,478

Revenues

Our revenues increased by 77.0% to RMB43.8 billion for the second quarter of 2021 from RMB24.7 billion for the same period of 2020. All business segments achieved growth on a year-over-year basis as we recovered from the COVID-19 pandemic, strengthened our food delivery and in-store, hotel & travel businesses, and strove to develop our new initiatives businesses.

The following table sets forth our revenues by segment and type in absolute amount for the second quarter of 2021 and 2020:

	Unaudited Three Months Ended June 30, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	<i>(RMB in thousands)</i>			
Revenues				
Commission	20,353,682	4,352,601	2,193,767	26,900,050
Online marketing services	2,764,255	4,234,620	216,821	7,215,696
Other services and sales (including interest revenue)	7,147	14,958	9,621,381	9,643,486
Total	23,125,084	8,602,179	12,031,969	43,759,232
	Unaudited Three Months Ended June 30, 2020			
	Food delivery	In-store, hotel & travel	New initiatives and others	Total
	<i>(RMB in thousands)</i>			
Revenues				
Commission	12,719,014	2,092,858	1,099,492	15,911,364
Online marketing services	1,795,740	2,445,305	81,966	4,323,011
Other services and sales (including interest revenue)	29,341	5,819	4,452,302	4,487,462
Total	14,544,095	4,543,982	5,633,760	24,721,837

Recovering from the COVID-19 pandemic, we continually optimized our marketing strategy to expand our Transacting Users base and enhance their stickiness. Meanwhile, we continued to stratify and diversify our platform selections to better satisfy consumers' ever-growing demands. Our revenues from the food delivery segment increased by 59.0% to RMB23.1 billion for the second quarter of 2021 from RMB14.5 billion for the same period of 2020 as a result of the increase in order volume by 58.9% on a year-over-year basis.

Our revenues from the in-store, hotel & travel segment increased by 89.3% to RMB8.6 billion for the second quarter of 2021 from RMB4.5 billion for the same period of 2020. Commission revenue increased by 108.0% to RMB4.4 billion due to the increase in Gross Transaction Volume and number of domestic hotel room nights driven by the recovery in consumer consumption. Online marketing services revenue increased by 73.2% to RMB4.2 billion with the increase in both the number of online marketing Active Merchants and the revenue contributed by each merchant, driven by the increasing promotion willingness from our Active Merchants due to the recovery from the COVID-19 pandemic.

Our revenues from the new initiatives and others segment increased by 113.6% to RMB12.0 billion for the second quarter of 2021 from RMB5.6 billion for the same period of 2020. Driven by both the recovery from the COVID-19 pandemic and continued development in our new initiatives to satisfy consumers' growing needs, the increase in revenues was mainly from our retail businesses, B2B food distribution services, and bike-sharing and moped services.

Costs and Expenses

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

	Unaudited		Three Months Ended		Year-over-year change
	June 30, 2021		June 30, 2020		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
<i>(RMB in thousands, except for percentages)</i>					
Costs and Expenses:					
Cost of revenues	31,245,861	71.4%	16,146,879	65.3%	93.5%
Selling and marketing expenses	10,848,627	24.8%	4,172,332	16.9%	160.0%
Research and development expenses	3,900,794	8.9%	2,376,737	9.6%	64.1%
General and administrative expenses	2,053,024	4.7%	1,158,092	4.7%	77.3%
Net provision for impairment losses on financial assets	104,355	0.2%	45,676	0.2%	128.5%

Cost of Revenues

Our cost of revenues increased by 93.5% to RMB31.2 billion for the second quarter of 2021 from RMB16.1 billion for the same period of 2020 and increased by 6.1 percentage points to 71.4% from 65.3% as a percentage of revenues on a year-over-year basis. The increase in both amount and as a percentage of revenues was primarily attributable to i) the increase in food delivery related costs which was in line with the increase in the food delivery order volume, and ii) the continued development and exploration in our retail businesses and other new initiatives. The food delivery related costs, which increased from RMB10.1 billion in the second quarter of 2020 to RMB15.5 billion in this quarter, represents the delivery cost of our 1P model under which we organize and provide delivery services.

Selling and Marketing Expenses

Our selling and marketing expenses were RMB10.8 billion for the second quarter of 2021 and RMB4.2 billion for the same period of 2020 and increased by 7.9 percentage points to 24.8% from 16.9% as a percentage of revenues on a year-over-year basis. As we recovered from the COVID-19 pandemic, we spent more in promotion, advertising and user incentives. In addition, the increased number of employees due to our business expansion resulted in an increase in employee benefits expenses.

Research and Development Expenses

Our research and development expenses increased to RMB3.9 billion for the second quarter of 2021 from RMB2.4 billion for the same period of 2020 but decreased by 0.7 percentage points to 8.9% from 9.6% as a percentage of revenues on a year-over-year basis. The increase in absolute amount was mainly driven by the increased number of employees due to our business expansion and higher average salary. The decrease as a percentage of revenues was driven by the improved operating leverage.

General and Administrative Expenses

Our general and administrative expenses increased to RMB2.1 billion for the second quarter of 2021 from RMB1.2 billion for the same period of 2020. The increase in amount was mainly driven by the increased number of employees due to our business expansion and higher average salary.

Net Provision for Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets increased to RMB104.4 million for the second quarter of 2021 from RMB45.7 million in the same period of 2020, which was primarily attributable to an increase in expected credit losses for financial assets.

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

Our fair value changes on other financial investments at fair value through profit or loss were a gain of RMB164.7 million for the second quarter of 2021, compared to a gain of RMB346.7 million for the same period of 2020. This was primarily due to the fair value changes in our investments in certain entities.

Other Gains, Net

Our other gains, net for the second quarter of 2021 decreased by 2.9%, or RMB28.9 million, to RMB977.0 million compared to RMB1.0 billion for the same period of 2020.

Operating (Loss)/Profit

As a result of the foregoing, our operating loss and margin for the second quarter of 2021 was RMB3.3 billion and negative 7.4%, respectively, compared to operating profit and margin of RMB2.2 billion and 8.8% for the same period of 2020.

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

	Unaudited Three Months Ended				Year-over- year change
	June 30, 2021		June 30, 2020		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB in thousands, except for percentages)</i>				
Food delivery	2,447,076	10.6%	1,253,421	8.6%	95.2%
In-store, hotel & travel	3,663,818	42.6%	1,891,563	41.6%	93.7%
New initiatives and others	(9,238,125)	(76.8%)	(1,459,539)	(25.9%)	NA
Unallocated items	(124,474)	NA	489,200	NA	NA
Total operating (loss)/profit	(3,251,705)	(7.4%)	2,174,645	8.8%	NA

Our operating profit from the food delivery segment was RMB2.4 billion for the second quarter of 2021, a 95.2% surge compared with RMB1.3 billion for the same period of 2020, mainly due to the expansion of order volume. Our operating margin for this segment increased by 2.0 percentage points to 10.6% from 8.6% on a year-over-year basis, primarily attributable to the improved operating efficiency.

Our operating profit from the in-store, hotel & travel segment increased by 93.7% to RMB3.7 billion for the second quarter of 2021 from RMB1.9 billion for the same period of 2020. The operating margin for this segment increased by 1.0 percentage points to 42.6% from 41.6% on a year-over-year basis. The increase in both amount and as a percentage of revenues was mainly due to the increased operating efficiency because of the recovery from the COVID-19 pandemic, partially offset by the increase of user incentives ratio.

Our operating loss from the new initiatives and others segment expanded to RMB9.2 billion for the second quarter of 2021 from RMB1.5 billion for the same period of 2020 and our operating margin for this segment decreased by 50.9 percentage points to negative 76.8% from negative 25.9% on a year-over-year basis, as we continued to expand our investments in this segment, especially the retail businesses.

(Loss)/Profit before Income Tax

Primarily because of the foregoing, our loss before income tax for the second quarter of 2021 was RMB3.4 billion, compared to a profit before income tax of RMB2.2 billion for the same period of 2020.

Income Tax Credits

We had income tax credits of RMB8.2 million for the second quarter of 2021, which remained stable compared to the same period of 2020.

(Loss)/Profit for the Period

As a result of the foregoing, we had a loss of RMB3.4 billion for the second quarter of 2021, compared to a profit of RMB2.2 billion for the same period of 2020.

The Second Quarter of 2021 Compared to the First Quarter of 2021

The following table sets forth the comparative figures for the second quarter of 2021 and the first quarter of 2021:

	Unaudited	
	Three Months Ended	
	June 30,	March 31,
	2021	2021
	<i>(RMB in thousands)</i>	
Revenues		
Commission	26,900,050	23,454,460
Online marketing services	7,215,696	5,665,135
Interest revenue	341,468	175,322
Other services and sales	9,302,018	7,721,345
	43,759,232	37,016,262
Cost of revenues	(31,245,861)	(29,816,095)
Gross profit	12,513,371	7,200,167
Selling and marketing expenses	(10,848,627)	(7,206,408)
Research and development expenses	(3,900,794)	(3,477,290)
General and administrative expenses	(2,053,024)	(1,737,403)
Net (provision for)/reversal of impairment losses on financial assets	(104,355)	33,775
Fair value changes on other financial investments at fair value through profit or loss	164,748	42,034
Other gains, net	976,976	378,118
Operating loss	(3,251,705)	(4,767,007)
Finance income	112,118	77,855
Finance costs	(263,269)	(166,052)
Share of gains/(losses) of investments accounted for using equity method	38,251	(2,013)
Loss before income tax	(3,364,605)	(4,857,217)
Income tax credits	8,230	10,955
Loss for the period	(3,356,375)	(4,846,262)
Non-IFRS measures:		
Adjusted EBITDA	(1,239,986)	(2,382,683)
Adjusted net loss	(2,217,141)	(3,891,717)

Revenues

Our revenues increased by 18.2% to RMB43.8 billion for the second quarter of 2021 from RMB37.0 billion for the first quarter of 2021. The growth was primarily due to the steady increase in Gross Transaction Volume from our food delivery business, the recovery of our in-store, hotel & travel businesses due to the effective control of the COVID-19 pandemic in certain areas and seasonality, and solid revenue growth of our new initiatives business.

The following table sets forth our revenues by segment and type in absolute amount for the second quarter of 2021 and the first quarter of 2021:

	Unaudited			Total
	Three Months Ended June 30, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
Revenues				
Commission	20,353,682	4,352,601	2,193,767	26,900,050
Online marketing services	2,764,255	4,234,620	216,821	7,215,696
Other services and sales (including interest revenue)	7,147	14,958	9,621,381	9,643,486
Total	23,125,084	8,602,179	12,031,969	43,759,232
	Unaudited			Total
	Three Months Ended March 31, 2021			
	Food delivery	In-store, hotel & travel	New initiatives and others	
	<i>(RMB in thousands)</i>			
Revenues				
Commission	18,370,710	3,255,587	1,828,163	23,454,460
Online marketing services	2,192,127	3,315,840	157,168	5,665,135
Other services and sales (including interest revenue)	12,573	12,964	7,871,130	7,896,667
Total	20,575,410	6,584,391	9,856,461	37,016,262

Our revenues from the food delivery segment increased by 12.4% to RMB23.1 billion for the second quarter of 2021 from RMB20.6 billion for the first quarter of 2021. Commission revenue grew by 10.8% to RMB20.4 billion primarily attributable to the increase in order volume by 22.0% because of seasonality and more marketing campaigns, partially offset by the decrease in Monetization Rate due to higher user incentives ratio. Online marketing services revenue increased by 26.1% to RMB2.8 billion because of the growth in both Active Merchants and their average online marketing spending after Spring Festival.

Our revenues from the in-store, hotel & travel segment increased by 30.6% to RMB8.6 billion for the second quarter of 2021 from RMB6.6 billion for the first quarter of 2021. Commission revenue increased by 33.7% to RMB4.4 billion, which was primarily due to the increased number of domestic hotel room nights. Online marketing service revenue increased by 27.7% to RMB4.2 billion, primarily due to the growing willingness of the merchants to acquire online traffic during the holiday season and certain promotional campaigns.

Our revenues from the new initiatives and others segment increased by 22.1% to RMB12.0 billion for the second quarter of 2021 from RMB9.9 billion for the first quarter of 2021, which was primarily due to the continued business expansion in retail businesses and the rebound of bike-sharing and moped services due to seasonality.

Costs and Expenses

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

	Unaudited Three Months Ended				Quarter-over- quarter change
	June 30, 2021		March 31, 2021		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB in thousands, except for percentages)</i>				
Costs and Expenses:					
Cost of revenues	31,245,861	71.4%	29,816,095	80.5%	4.8%
Selling and marketing expenses	10,848,627	24.8%	7,206,408	19.5%	50.5%
Research and development expenses	3,900,794	8.9%	3,477,290	9.4%	12.2%
General and administrative expenses	2,053,024	4.7%	1,737,403	4.7%	18.2%
Net provision for/(reversal of) impairment losses on financial assets	104,355	0.2%	(33,775)	(0.1%)	NA

Cost of Revenues

Our cost of revenues increased by 4.8% to RMB31.2 billion for the second quarter of 2021 from RMB29.8 billion for the first quarter of 2021 and decreased by 9.1 percentage points to 71.4% from 80.5% as a percentage of revenues. The increase in amount was mainly attributable to continued investments in our new initiatives, especially the retail businesses. The decrease as a percentage of revenues was mainly attributable to seasonality and the improvement of the fulfillment efficiency in our new initiatives.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB10.8 billion for the second quarter of 2021 from RMB7.2 billion for the first quarter of 2021 and increased by 5.3 percentage points to 24.8% from 19.5% as a percentage of revenues on a quarter-over-quarter basis. The increase was primarily attributable to increased promotion, advertising and user incentives during the holiday season and certain promotional campaigns.

Research and Development Expenses

Our research and development expenses increased to RMB3.9 billion for the second quarter of 2021 from RMB3.5 billion for the first quarter of 2021 and decreased by 0.5 percentage points to 8.9% from 9.4% as a percentage of revenues. The increase in amount was mainly driven by the increased number of employees due to our business expansion and higher average salary. The decrease as a percentage of revenues was driven by the improved operating leverage.

General and Administrative Expenses

Our general and administrative expenses increased to RMB2.1 billion for the second quarter of 2021 from RMB1.7 billion for the first quarter of 2021. The increase in amount was mainly driven by the increased number of employees due to our business expansion and higher average salary.

Net (Provision for)/Reversal of Impairment Losses on Financial Assets

Our net provision for impairment losses on financial assets was RMB104.4 million for the second quarter of 2021, compared to a net reversal of RMB33.8 million for the first quarter of 2021, which was primarily due to the increase in expected credit losses for financial assets.

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

Our fair value changes on other financial investments at fair value through profit or loss were a gain of RMB164.7 million for the second quarter of 2021, compared to a gain of RMB42.0 million for the first quarter of 2021. This was primarily due to the fair value changes in our investments in certain entities.

Other Gains, Net

Our other gains, net for the second quarter of 2021 increased to RMB977.0 million from RMB378.1 million for the first quarter of 2021, which was mainly attributable to the increase in tax return and preference.

Operating Loss

As a result of the foregoing, our operating loss for the second quarter of 2021 was RMB3.3 billion, compared to a loss of RMB4.8 billion for the first quarter of 2021.

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

	Unaudited Three Months Ended				Quarter- over-quarter change
	June 30, 2021		March 31, 2021		
	Amount	As a percentage of revenues	Amount	As a percentage of revenues	
	<i>(RMB in thousands, except for percentages)</i>				
Food delivery	2,447,076	10.6%	1,115,885	5.4%	119.3%
In-store, hotel & travel	3,663,818	42.6%	2,748,205	41.7%	33.3%
New initiatives and others	(9,238,125)	(76.8%)	(8,044,445)	(81.6%)	14.8%
Unallocated items	(124,474)	NA	(586,652)	NA	(78.8%)
Total operating loss	(3,251,705)	(7.4%)	(4,767,007)	(12.9%)	(31.8%)

Our operating profit from the food delivery segment to RMB2.4 billion for the second quarter of 2021 from RMB1.1 billion for the first quarter of 2021. The operating margin for this segment increased to 10.6% from 5.4% on a quarter-over-quarter basis. Both the increases in amount and as a percentage of revenues were mainly attributable to a decrease in temporary incentives paid to delivery riders due to seasonality, partially offset by the higher user incentives ratio.

Our operating profit from the in-store, hotel & travel segment increased to RMB3.7 billion for the second quarter of 2021 from RMB2.7 billion for the first quarter of 2021. The operating margin for this segment increased by 0.9 percentage points to 42.6% on a quarter-over-quarter basis. Both the increases in amount and as a percentage of revenues were mainly attributable to the expansion of business scale driven by seasonality and certain promotion campaigns, partially offset by the seasonal increase of user incentives ratio.

Our operating loss from the new initiatives and others segment expanded to RMB9.2 billion for the second quarter of 2021 from RMB8.0 billion for the first quarter of 2021, and the operating margin for this segment increased by 4.8 percentage points to negative 76.8% from negative 81.6% on a quarter-over-quarter basis. The increase in operating loss was primarily attributable to our continued investment in retail businesses. The improvement in operating margin was driven by the improved operating efficiency.

Loss before Income Tax

Primarily because of the foregoing, our loss before income tax for the second quarter of 2021 was RMB3.4 billion, compared to a loss before income tax of RMB4.9 billion for the first quarter of 2021.

Income Tax Credits

We had income tax credits of RMB8.2 million for the second quarter of 2021, which remained stable compared to the previous quarter.

Loss for the Period

As a result of the foregoing, we had a loss of RMB3.4 billion for the second quarter of 2021, compared to a loss of RMB4.8 billion for the first quarter of 2021.

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

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

The following tables set forth the reconciliations of our non-IFRS financial measures for the three months ended June 30, 2021 and 2020, the three months ended March 31, 2021, and the six months ended June 30, 2021 and 2020 to the nearest measures prepared in accordance with IFRS.

**Unaudited
Three Months Ended**

	June 30, 2021	June 30, 2020	March 31, 2021
	<i>(RMB in thousands)</i>		
(Loss)/profit for the period	(3,356,375)	2,210,181	(4,846,262)
Adjusted for:			
Share-based compensation expenses	1,140,658	705,420	937,902
Fair value gains on investments ⁽¹⁾	(164,748)	(347,393)	(42,034)
Losses/(gains) on disposal of investments and subsidiaries	12,799	–	(749)
Amortization of intangible assets resulting from acquisitions	125,637	160,857	125,637
Impairment and expense reversal of Mobike restructuring plan	(97)	(2,953)	(1,735)
Net reversal of impairment losses on financial assets	–	–	(55,000)
Tax effects on non-IFRS adjustments	24,985	(7,634)	(9,476)
Adjusted net (loss)/profit	(2,217,141)	2,718,478	(3,891,717)
Adjusted for:			
Income tax credits, except for tax effects on non-IFRS adjustments	(33,215)	(5,400)	(1,479)
Share of (gains)/losses of investments accounted for using equity method	(38,251)	(42,881)	2,013
Finance income	(112,118)	(40,352)	(77,855)
Finance costs	263,269	60,731	166,052
Other gains except for losses/(gains) related to fair value change, disposal and remeasurement of investments and subsidiaries	(989,775)	(1,005,131)	(377,369)
Amortization of software and others	76,215	93,615	76,603
Depreciation on property, plant and equipment	1,811,030	831,195	1,721,069
Adjusted EBITDA	(1,239,986)	2,610,255	(2,382,683)

(1) Mainly includes fair value changes on other financial investments at fair value through profit or loss.

	Unaudited	
	Six Months Ended	
	June 30,	June 30,
	2021	2020
	<i>(RMB in thousands)</i>	
(Loss)/profit for the period	(8,202,637)	630,903
Adjusted for:		
Share-based compensation expenses	2,078,560	1,397,096
Fair value (gains)/losses on investments ⁽¹⁾	(206,782)	160,868
Losses on disposal of investments and subsidiaries	12,050	–
Amortization of intangible assets resulting from acquisitions	251,274	321,714
Impairment and expense reversal of Mobike restructuring plan	(1,832)	(3,191)
Net reversal of impairment losses on financial assets	(55,000)	–
Tax effects on non-IFRS adjustments	15,509	(5,260)
Adjusted net (loss)/profit	(6,108,858)	2,502,130
Adjusted for:		
Income tax credits, except for tax effects on non-IFRS adjustments	(34,694)	(123,012)
Share of gains of investments accounted for using equity method	(36,238)	(54,009)
Finance income	(189,973)	(98,282)
Finance costs	429,321	108,775
Other gains except for losses related to fair value change, disposal and remeasurement of investments and subsidiaries	(1,367,144)	(1,404,576)
Amortization of software and others	152,818	225,251
Depreciation on property, plant and equipment	3,532,099	1,495,289
Adjusted EBITDA	(3,622,669)	2,651,566

(1) Mainly includes fair value changes on other financial investments at fair value through profit or loss.

Liquidity and Capital Resources

We had historically funded our cash requirements principally from capital contribution from shareholders and financing through issuance and sale of equity and debt securities. We had cash and cash equivalents of RMB71.4 billion and short-term treasury investments of RMB51.1 billion as of June 30, 2021.

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

	Unaudited Three Months Ended June 30, 2021	Unaudited Six Months Ended June 30, 2021
	<i>(RMB in thousands)</i>	
Net cash flows generated from/(used in) operating activities	2,880,431	(1,549,700)
Net cash flows used in investing activities	(21,166,288)	(16,429,231)
Net cash flows generated from financing activities	72,148,443	72,590,345
Net increase in cash and cash equivalents	53,862,586	54,611,414
Cash and cash equivalents at the beginning of the period	17,792,902	17,093,559
Exchange loss on cash and cash equivalents	(267,619)	(317,104)
Cash and cash equivalents at the end of the period	71,387,869	71,387,869

Net Cash Flows Generated from Operating Activities

Net cash flows generated from operating activities represents the cash generated from our operations minus the income tax paid. Cash generated from our operations primarily consisted of our loss for the second quarter of 2021, as adjusted by non-cash items and changes in working capital.

For the second quarter of 2021, net cash flows generated from operating activities was RMB2.9 billion, which was primarily attributable to our loss before income tax, as adjusted by (i) depreciation and amortization, share-based payments, and (ii) changes in working capital, which primarily consists of certain increased current liabilities in line with the business scale expansion.

Net Cash Flows Used in Investing Activities

For the second quarter of 2021, net cash flows used in investing activities was RMB21.2 billion, which was mainly attributable to net cash flows used in treasury investments, purchase of property, plant and equipment and investments in some unlisted entities.

Net Cash Flows Generated from Financing Activities

For the second quarter of 2021, net cash flows generated from financing activities was RMB72.1 billion, which was mainly attributable to proceeds from issuance of shares upon placement, convertible bonds, and the net increase of borrowings.

Gearing Ratio

As of June 30, 2021, our gearing ratio, calculated as total borrowings and notes payable divided by total equity attributable to equity holders of the Company, was approximately 37%.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Three Months Ended June 30,		Unaudited Six Months Ended June 30,	
		2021	2020	2021	2020
<i>(RMB in thousands)</i>					
Revenues	3				
Commission	3	26,900,050	15,911,364	50,354,510	26,711,465
Online marketing services	3	7,215,696	4,323,011	12,880,831	7,187,420
Interest revenue	3	341,468	201,730	516,790	413,875
Other services and sales	3	9,302,018	4,285,732	17,023,363	7,162,964
		<u>43,759,232</u>	<u>24,721,837</u>	<u>80,775,494</u>	<u>41,475,724</u>
Cost of revenues	4	<u>(31,245,861)</u>	<u>(16,146,879)</u>	<u>(61,061,956)</u>	<u>(27,704,300)</u>
Gross profit		12,513,371	8,574,958	19,713,538	13,771,424
Selling and marketing expenses	4	<u>(10,848,627)</u>	<u>(4,172,332)</u>	<u>(18,055,035)</u>	<u>(7,371,771)</u>
Research and development expenses	4	<u>(3,900,794)</u>	<u>(2,376,737)</u>	<u>(7,378,084)</u>	<u>(4,673,195)</u>
General and administrative expenses	4	<u>(2,053,024)</u>	<u>(1,158,092)</u>	<u>(3,790,427)</u>	<u>(2,227,833)</u>
Net provision for impairment losses on financial assets		<u>(104,355)</u>	<u>(45,676)</u>	<u>(70,580)</u>	<u>(283,218)</u>
Fair value changes on other financial investments at fair value through profit or loss		<u>164,748</u>	<u>346,689</u>	<u>206,782</u>	<u>(161,572)</u>
Other gains, net	5	<u>976,976</u>	<u>1,005,835</u>	<u>1,355,094</u>	<u>1,405,280</u>
Operating (loss)/profit		(3,251,705)	2,174,645	(8,018,712)	459,115
Finance income		<u>112,118</u>	<u>40,352</u>	<u>189,973</u>	<u>98,282</u>
Finance costs		<u>(263,269)</u>	<u>(60,731)</u>	<u>(429,321)</u>	<u>(108,775)</u>
Share of gains of investments accounted for using equity method		<u>38,251</u>	<u>42,881</u>	<u>36,238</u>	<u>54,009</u>
(Loss)/profit before income tax		(3,364,605)	2,197,147	(8,221,822)	502,631
Income tax credits	7	<u>8,230</u>	<u>13,034</u>	<u>19,185</u>	<u>128,272</u>
(Loss)/profit for the period		<u>(3,356,375)</u>	<u>2,210,181</u>	<u>(8,202,637)</u>	<u>630,903</u>
(Loss)/profit for the period attributable to:					
Equity holders of the Company		<u>(3,357,323)</u>	<u>2,209,747</u>	<u>(8,204,606)</u>	<u>631,411</u>
Non-controlling interests		<u>948</u>	<u>434</u>	<u>1,969</u>	<u>(508)</u>
		<u>(3,356,375)</u>	<u>2,210,181</u>	<u>(8,202,637)</u>	<u>630,903</u>
		RMB	RMB	RMB	RMB
(Loss)/earnings per share for (loss)/profit for the period attributable to the equity holders of the Company					
Basic (loss)/earnings per share	6	<u>(0.56)</u>	<u>0.38</u>	<u>(1.38)</u>	<u>0.11</u>
Diluted (loss)/earnings per share	6	<u>(0.56)</u>	<u>0.37</u>	<u>(1.38)</u>	<u>0.11</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	Unaudited Three Months Ended June 30,		Unaudited Six Months Ended June 30,	
	2021	2020	2021	2020
	<i>(RMB in thousands)</i>			
Other comprehensive (loss)/income:				
<i>Items that may be reclassified to profit or loss</i>				
Share of other comprehensive income of investments accounted for using the equity method	1,407	–	685	2,711
Changes in the fair value of debt instruments at fair value through other comprehensive income	19,356	–	23,858	–
Impairment loss on debt instruments at fair value through other comprehensive income	56,327	–	56,392	–
<i>Items that will not be reclassified to profit or loss</i>				
Currency translation differences	(1,235,891)	(32,261)	(1,085,847)	647,370
Share of other comprehensive income of investments accounted for using the equity method	19,681	–	13,068	–
Changes in the fair value of other financial investments at fair value through other comprehensive income	(135,566)	–	(9,548)	–
Other comprehensive (loss)/income for the period, net of tax	(1,274,686)	(32,261)	(1,001,392)	650,081
Total comprehensive (loss)/income for the period	(4,631,061)	2,177,920	(9,204,029)	1,280,984
Total comprehensive (loss)/income for the period is attributable to:				
Equity holders of the Company	(4,632,009)	2,177,486	(9,205,998)	1,281,492
Non-controlling interests	948	434	1,969	(508)
	(4,631,061)	2,177,920	(9,204,029)	1,280,984

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Unaudited As of June 30, 2021	Audited As of December 31, 2020
Note		<i>(RMB in thousands)</i>	
ASSETS			
Non-current assets			
Property, plant and equipment	8	14,609,590	13,917,165
Intangible assets		31,302,234	31,676,381
Deferred tax assets		599,441	448,670
Long-term treasury investments		1,321,698	612,967
Other financial investments at fair value through profit or loss		10,848,234	10,256,786
Investments accounted for using the equity method		13,105,479	13,180,943
Other financial investments at fair value through other comprehensive income		1,658,249	605,918
Prepayments, deposits and other assets		10,840,478	7,569,817
		84,285,403	78,268,647
Current assets			
Inventories		504,035	466,492
Trade receivables	9	1,445,305	1,030,948
Prepayments, deposits and other assets		15,948,096	12,940,125
Short-term treasury investments		51,121,790	43,999,364
Restricted cash		12,435,628	12,775,667
Cash and cash equivalents		71,387,869	17,093,559
		152,842,723	88,306,155
Total assets		237,128,126	166,574,802
EQUITY			
Share capital		410	395
Share premium		307,842,958	263,155,201
Shares held for shares award scheme		(1)	–
Other reserves		(5,552,372)	(6,262,066)
Accumulated losses		(167,405,109)	(159,200,503)
Equity attributable to equity holders of the Company		134,885,886	97,693,027
Non-controlling interests		(56,783)	(58,752)
Total equity		134,829,103	97,634,275

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

		Unaudited	Audited
		As of	As of
	Note	June 30,	December 31,
		2021	2020
		<i>(RMB in thousands)</i>	
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		752,263	755,694
Financial liabilities at fair value through profit or loss		–	114,600
Deferred revenues	10	52,421	166,700
Borrowings		7,591,910	1,957,470
Notes payable		30,594,676	12,966,341
Lease liabilities		1,949,452	1,648,008
Other non-current liabilities		247,091	184,073
		<u>41,187,813</u>	<u>17,792,886</u>
Current liabilities			
Trade payables	11	12,114,001	11,967,026
Payables to merchants		10,198,454	9,414,936
Advances from transacting users		4,424,449	4,307,861
Deposits from transacting users		2,178,129	2,222,211
Other payables and accruals		13,664,740	10,557,218
Borrowings		11,562,939	6,395,002
Deferred revenues	10	5,477,350	5,052,830
Lease liabilities		1,424,446	1,089,847
Income tax liabilities		66,702	140,710
		<u>61,111,210</u>	<u>51,147,641</u>
Total liabilities		<u>102,299,023</u>	<u>68,940,527</u>
Total equity and liabilities		<u>237,128,126</u>	<u>166,574,802</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six Months Ended June 30,	
	2021	2020
	<i>(RMB in thousands)</i>	
Net cash flows (used in)/generated from operating activities	(1,549,700)	545,338
Net cash flows (used in)/generated from investing activities	(16,429,231)	798,777
Net cash flows generated from/(used in) financing activities	72,590,345	(913,004)
Net increase in cash and cash equivalents	54,611,414	431,111
Cash and cash equivalents at the beginning of the period	17,093,559	13,396,185
Exchange (loss)/gain on cash and cash equivalents	(317,104)	107,760
Cash and cash equivalents at the end of the period	<u>71,387,869</u>	<u>13,935,056</u>

NOTES TO THE FINANCIAL INFORMATION

1 General information, basis of preparation and presentation

The Company was incorporated in the Cayman Islands on September 25, 2015 as an exempted company with limited liability. The registered office is at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company provides platform which uses technology to connect consumers and merchants and offers diversified daily services, including food delivery, in-store, hotel and travel booking and other services and sales.

The financial information of our Company has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting, issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statement of the Company for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards, as set out in the 2020 annual report of our Company dated March 26, 2021 (the “2020 Financial Statements”). The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

2 Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the financial information are consistent with those followed in the preparation of the 2020 Financial Statements.

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

The Company has adopted the following new and amended standards which are relevant to the Company’s operations and are mandatory for the financial year beginning on or after January 1, 2021:

Amendments to IFRS 16	COVID-19 related rent concessions beyond June 30, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – phase 2

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

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

The following new and amended standards have been issued, but are not effective for the Company’s financial year beginning on January 1, 2021 and have not been early adopted by the Company’s management.

		Effective for annual periods beginning on or after
Amendments to IAS 28 and IFRS 10	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	January 1, 2022
IAS 37 (Amendments)	Onerous contract – cost of fulfilling a contract	January 1, 2022
IAS 1 (Amendments)	Classification of liabilities as current and non-current	January 1, 2023
Amendment to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023

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

3 Segment information

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

	Unaudited Three Months Ended		Year-over- year change
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
	<i>(RMB in thousands, except for percentages)</i>		
Revenues:			
Food delivery	23,125,084	14,544,095	59.0%
In-store, hotel & travel	8,602,179	4,543,982	89.3%
New initiatives and others	12,031,969	5,633,760	113.6%
Total revenues	43,759,232	24,721,837	77.0%
Operating (loss)/profit:			
Food delivery	2,447,076	1,253,421	95.2%
In-store, hotel & travel	3,663,818	1,891,563	93.7%
New initiatives and others	(9,238,125)	(1,459,539)	NA
Unallocated items	(124,474)	489,200	NA
Total operating (loss)/profit	(3,251,705)	2,174,645	NA
	Unaudited Six Months Ended		
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	Year-over- year change
	<i>(RMB in thousands, except for percentages)</i>		
Revenues:			
Food delivery	43,700,494	24,034,518	81.8%
In-store, hotel & travel	15,186,570	7,638,960	98.8%
New initiatives and others	21,888,430	9,802,246	123.3%
Total revenues	80,775,494	41,475,724	94.8%
Operating (loss)/profit:			
Food delivery	3,562,961	1,182,540	201.3%
In-store, hotel & travel	6,412,023	2,571,742	149.3%
New initiatives and others	(17,282,570)	(2,823,256)	NA
Unallocated items	(711,126)	(471,911)	50.7%
Total operating (loss)/profit	(8,018,712)	459,115	NA

4 Expenses by nature

	Unaudited		Unaudited	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	<i>(RMB in thousands)</i>			
Food delivery related costs	15,458,572	10,125,010	30,837,158	17,228,393
Employee benefits expenses	8,309,267	4,727,039	15,558,485	9,329,956
Promotion, advertising and user incentives	6,547,814	2,151,767	10,337,653	3,446,272
Transaction costs (Note i)	5,914,897	3,256,847	11,179,691	5,294,792
Other outsourcing costs	5,359,653	1,258,311	9,793,263	2,396,028
Depreciation of property, plant and equipment	1,811,030	831,195	3,532,099	1,495,289
Amortization of intangible assets	201,852	254,472	404,092	546,965
Auditor's remuneration				
– Audit and audit-related services	17,006	9,956	25,269	27,903
– Non-audit services	1,901	234	3,342	460

(i) Transaction costs consist of cost of goods sold and certain costs from various businesses.

5 Other gains, net

	Unaudited		Unaudited	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	<i>(RMB in thousands)</i>			
Subsidies and tax preference	505,827	659,110	674,722	960,875
Fair value changes of treasury investments at fair value through profit or loss	314,713	208,476	576,359	360,611
Foreign exchange gains/(losses), net	175,706	(384)	85,532	13,190
Interest income from treasury investments at amortized cost	25,079	114,272	54,639	283,451
Donation	(14,985)	(193)	(16,459)	(200,199)
Others	(29,364)	24,554	(19,699)	(12,648)
	976,976	1,005,835	1,355,094	1,405,280

6 (Loss)/earnings per share

- (a) Basic (loss)/earnings per share for the three months and six months ended June 30, 2021 and 2020 were calculated by dividing the (loss)/profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the reporting period.

	Unaudited		Unaudited	
	Three Months Ended June 30,	2020	Six Months Ended June 30,	2020
	2021		2021	
(Loss)/profit attributable to equity holders of the Company (RMB' 000)	(3,357,323)	2,209,747	(8,204,606)	631,411
Weighted average number of shares in issue (thousand)	6,030,681	5,825,222	5,957,039	5,820,039
Basic (loss)/earnings per share (RMB)	(0.56)	0.38	(1.38)	0.11

- (b) Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, RSUs and convertible bonds.

As the Company incurred losses for the three months and six months ended June 30, 2021, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the three months and six months ended June 30, 2021 were the same as basic loss per share of the respective periods.

	Unaudited		Unaudited	
	Three Months Ended June 30,	2020	Six Months Ended June 30,	2020
	2021		2021	
(Loss)/profit attributable to equity holders of the Company (RMB' 000)	(3,357,323)	2,209,747	(8,204,606)	631,411
Weighted average number of ordinary shares in issue (thousand)	6,030,681	5,825,222	5,957,039	5,820,039
Adjustments for share options and RSUs (thousand)	–	157,174	–	156,749
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (thousand)	6,030,681	5,982,396	5,957,039	5,976,788
Diluted (loss)/earnings per share (RMB)	(0.56)	0.37	(1.38)	0.11

7 Income tax credits

The following table sets forth our income tax credits for the periods indicated:

	Unaudited		Unaudited	
	Three Months Ended June 30,	2020	Six Months Ended June 30,	2020
	2021		2021	
	<i>(RMB in thousands)</i>			
Current income tax (expenses)/credits	(89,158)	38,359	(114,426)	29,201
Deferred income tax credits/(expenses)	97,388	(25,325)	133,611	99,071
	8,230	13,034	19,185	128,272

8 Property, plant and equipment

Our property, plant and equipment primarily consist of bikes and mopeds, right-of-use assets, and computer equipment. Our property, plant and equipment increased by 5.0% from RMB13.9 billion as of December 31, 2020 to RMB14.6 billion as of June 30, 2021.

9 Trade receivables

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

	Unaudited As of June 30, 2021	Audited As of December 31, 2020
	<i>(RMB in thousands)</i>	
Trade receivables	1,620,762	1,197,518
Less: allowance for impairment	(175,457)	(166,570)
	<u>1,445,305</u>	<u>1,030,948</u>

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

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

	Unaudited As of June 30, 2021	Audited As of December 31, 2020
	<i>(RMB in thousands)</i>	
Trade receivables		
Up to 3 months	1,287,828	889,861
3 to 6 months	122,986	94,088
6 months to 1 year	21,503	39,416
Over 1 year	12,988	7,583
	<u>1,445,305</u>	<u>1,030,948</u>

10 Deferred revenues

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

	Unaudited As of June 30, 2021	Audited As of December 31, 2020
	<i>(RMB in thousands)</i>	
Non-current		
Business cooperation agreement with Maoyan	<u>52,421</u>	<u>166,700</u>
Current		
Online marketing services and others	5,210,337	4,764,690
Business cooperation agreement with Maoyan	209,686	222,267
Bike-sharing and moped monthly pass	<u>57,327</u>	<u>65,873</u>
	<u>5,477,350</u>	<u>5,052,830</u>
	<u><u>5,529,771</u></u>	<u><u>5,219,530</u></u>

11 Trade payables

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

	Unaudited As of June 30, 2021	Audited As of December 31, 2020
	<i>(RMB in thousands)</i>	
Trade payables	<u>12,114,001</u>	<u>11,967,026</u>

As of June 30, 2021 and December 31, 2020, the aging analysis of the trade payables based on invoice date were as follows:

	Unaudited As of June 30, 2021	Audited As of December 31, 2020
	<i>(RMB in thousands)</i>	
Trade payables		
Up to 3 months	11,589,895	11,810,659
3 to 6 months	339,360	46,688
6 months to 1 year	132,435	45,876
Over 1 year	<u>52,311</u>	<u>63,803</u>
	<u>12,114,001</u>	<u>11,967,026</u>

12 Dividends

No dividends have been paid or declared by the Company during the six months ended June 30, 2021 and the year ended December 31, 2020.

13 Contingencies

In April 2021, the State Administration for Market Regulation of the People's Republic of China (the "SAMR") commenced an investigation on the Company pursuant to the Anti-Monopoly Law of the People's Republic of China. As of the date of the report, the investigation is ongoing and the Company is actively cooperating with SAMR. The Company is not able to predict the status or the results of the investigation at this stage, and the Company could be required to make changes to its business practices and/or be subject to a significant amount of fines.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the six months ended June 30, 2021.

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Company's unaudited interim financial information for the six months ended June 30, 2021. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control and financial reporting matters.

Compliance with the Corporate Governance Code

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

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

Save for code provision A.2.1, the Company has complied with all the code provisions as set out in the CG Code where applicable during the six months ended June 30, 2021. Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have separate chairman and chief executive officer and Mr. Wang Xing currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Company and enables more effective and efficient overall strategic planning for the Company. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time by taking into account the circumstances of the Company as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the six months ended June 30, 2021.

Publication of the Interim Results and Interim Report

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

APPRECIATION

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

By Order of the Board
Meituan
Wang Xing
Chairman

Hong Kong, August 30, 2021

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

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

DEFINITIONS

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

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

“Director(s)”	the director(s) of the Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing”	the listing of the Class B Shares on the Main Board of the Stock Exchange
“Listing Date”	September 20, 2018, on which the Class B Shares are listed and on which dealings in the Class B Shares are second permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Mobike”	mobike Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 2, 2015 and our direct wholly-owned subsidiary and its subsidiaries and Consolidated Affiliated Entities
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being (i) any amendment to the Memorandum and Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Share(s)”	the Class A Shares and Class B Shares in the share capital of the Company, as the context so requires
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“United States,” “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

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

“%” per cent

GLOSSARY

“Active Merchant” a merchant that meets any of the following conditions in a given period: (i) completed at least one transaction on our platform, (ii) purchased any online marketing services from us, (iii) processed offline payment at least once through our integrated payment systems, or (iv) generated any order through our ERP systems

“Gross Transaction Volume” or “GTV” the value of paid transactions of products and services on our platform by consumers, regardless of whether the consumers are subsequently refunded. This includes delivery charges and VAT, but excludes any payment-only transactions, such as QR code scan payments and point-of-sale payments

“Monetization Rate” the revenues for the year/period divided by the Gross Transaction Volume for the year/period

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

“transaction” the number of transactions is generally recognized based on the number of payments made. (i) With respect to our in-store business, one transaction is recognized if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognized if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air and train ticketing businesses, one transaction is recognized if a user purchases multiple tickets with a single payment; (iv) with respect to our bike-sharing and moped services, if a user uses monthly pass, then one transaction is recognized only when the user purchases or claims the monthly pass, and subsequent rides are not recognized as transactions; if a user does not use monthly pass, then one transaction is recognized for every ride