

A. WAIVERS AND EXEMPTIONS — A1. LATEST VERSION

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 ("**Prospectus**") dated June 8, 2020 and references to sections of the Prospectus shall be construed accordingly.

<u>Relevant rule(s) waived</u>	<u>Subject matter</u>
Rule 2.07A of the Hong Kong Listing Rules	Printed Corporate Communications
Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules	Investments and Acquisitions after the Track Record Period
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 (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements Relating to the Accountants' Report
Rule 9.09(b) of the Hong Kong Listing Rules	Dealings in Shares prior to Listing
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
Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and Paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures
Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and Paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contribution to the Company
Paragraph 27 of Appendix 1A to the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements of Options

Relevant rule(s) waived	Subject matter
Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements of Directors' and Five Highest Individuals' Emoluments
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
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Hong Kong Listing Rules	Disclosure of Interests Information
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
Hong Kong Stock Exchange Guidance Letter HKEX-GL37-12	Disclosure requirements in respect of indebtedness and liquidity
Paragraph 15(2)(c) of Appendix 1A to the Hong Kong Listing Rules	Disclosure of Offer Price
Paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules	Appointment of Director to Fill a Casual Vacancy On or as an Addition to the Board
Paragraph 17 of Appendix 3 to the Hong Kong Listing Rules	Appointment, Removal and Remuneration of Auditors
Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules	Clawback Mechanism
Compliance with Appendix 3 to the Hong Kong Listing Rules	Subject matter
Paragraphs 15, 16 and 21 of Appendix 3 to the Hong Kong Listing Rules	Super-majority Vote Threshold

Relevant Rule(s) Waived

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.

The Company's ADSs have been listed on the Nasdaq since 2014. The Company has ADS holders globally and has a diverse shareholder base.

The Company does not currently produce or send out any corporate communications to its shareholders or holders of ADSs in printed form unless requested or in limited circumstances described below. The Company publicly files or furnishes various corporate communications with the SEC which are posted on the SEC's website. The Company's annual reports on Form 20-F and periodic reports on Form 6-K and all amendments to these reports, are also available free of charge on its website as soon as reasonably practicable after they are filed with or furnished to the SEC. Further, the Company will post its proxy materials on a publicly accessible website and send a notice including the proxy materials to its shareholders and holders of ADSs. Those documents will also be available on the Company's website.

Apart from the Hong Kong Offer Shares that the Company will offer for subscription by the public in Hong Kong, the International Offer Shares will be placed to professional, institutional, corporate and other investors in Hong Kong and elsewhere in the world. Given the Company's diverse shareholder base and the potential number of countries in which its shareholders are located, the Company considers that it would not be practicable for the Company to send printed copies of all its corporate communications to all of its shareholders. Further, the Company considers that it would not be practicable for the Company to approach its 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.

The Company has 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 the Company will:

- (i) issue all future corporate communications, as required by the Hong Kong Listing Rules and applicable to the Company, on its own website in English and Chinese, and on the Hong Kong Stock Exchange's website in English and Chinese;
- (ii) provide printed copies of proxy materials in English to its shareholders at no costs; and
- (iii) add to the "Investor Relations" page of its website which will direct investors to all of its future filings with the Hong Kong Stock Exchange.

Investments and Acquisitions after the Track Record Period

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

Pursuant to the Hong Kong Stock Exchange's Guidance Letter HKEX-GL32-12 ("GL32-12"), acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to GL32-12, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

Ordinary course of Investments since December 31, 2019

During the Track Record Period, the Company has made minority investments in a number of companies both in China and overseas in the ordinary and usual course of business to further its strategic objectives. Since December 31, 2019 and up to the Latest Practicable Date, the Company has made or proposed to make minority investments in a number of companies, and it expects to continue to enter into further minority investments subsequent to the Latest Practicable Date and prior to the date of the Prospectus (collectively, the "Investments"). Details of the Investments up to the Latest Practicable Date include:

Investment⁽¹⁾⁽³⁾	Consideration⁽²⁾ (approximately RMB million)	Percentage of shareholding/ equity interest⁽²⁾	Principal business activities
Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司)	191.0	8.98%	Retail of mobile communication terminals
Caissa Tosun Development Co., Ltd. (凱撒同盛發展股份有限公司)	450.0	Between 5% to 10%	Travel and tourism
Dada Nexus Limited	up to 427.9	Between 40% to 49.5%	Retail and delivery
Company A	158.4	42%	Technology services
Company B	37.5	15%	Technology services
Company C	673.0	49%	Healthcare

Investment ⁽¹⁾⁽³⁾	Consideration ⁽²⁾ <i>(approximately RMB million)</i>	Percentage of shareholding/ equity interest ⁽²⁾	Principal business activities
Company D	318.8	11.93%	Retail
Company E	13.1	45%	Logistics
Company F	7.5	14.92%	E-commerce
Company G	4.6	10%	Real estate
Company H	3.3	7.3%	Cloud services
Company I	75.3	12.9%	E-commerce
Company J	30.0	10%	Internet of things
Company K	264.4	1%	Retail
Company L	54.0	19.4%	Retail
Company M	615.4	4.9%	Media

Notes:

- (1) Given that the Company has not yet entered into legally binding agreements for certain of the above Investments as at the Latest Practicable Date, the terms and information set out above might be subject to further changes.
- (2) The approximate consideration disclosed in the table represents each of the Investment after December 31, 2019. The percentage of shareholding/equity interest represents the Company's total pro forma shareholding in each of the Investments after the completion of the disclosed transaction.
- (3) None of the core connected persons at the level of the Company is a controlling shareholder of any of the Investments.

The Company confirms that the investment amounts for the Investments are the result of commercial arm's length negotiations, based on factors including stock price (for public companies), market dynamics, a mutually agreed valuation, and/or capital required for the relevant company's operations.

Conditions for granting the waiver and its scope in respect of the Investments

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

Ordinary and usual course of business

The Company makes strategic equity investments in sectors relating to its business as part of its ordinary and usual course of business. The Company has a history of making minority investments and have conducted a number of minority investments during the Track Record Period.

The percentage ratios of each Investment are all less than 5% by reference to the most recent fiscal year of the Track Record Period

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for each of the Investments are all significantly less than 5% by reference to the most recent fiscal year of the Track Record Period. The Company does not believe that the Investments are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Investments involves the acquisition of interests in a different company and (ii) the Investments were entered into with different counterparties.

Accordingly, the Company believes that each of the Investments have not resulted in any significant changes to its financial position since December 31, 2019, and all information that is reasonably necessary for potential investors to make an informed assessment of its activities or financial position has been included in the Prospectus. As such, the Company considers that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

The Company is not able to exercise any control over the underlying company or business

The Company confirms that: (i) it only holds and/or will only hold a minority equity interest in each of the Investments and does not control their boards of directors, and expects this to remain the case for any subsequent Investments; and (ii) the Company is also not involved in the day to day management of these Investments and only enjoys minority strategic shareholder rights. The minority rights given to the Company are generally commensurate to its status as a minority shareholder and are for the protection of its interests as a minority stakeholder in the Investments. These rights are neither intended, nor sufficient to compel or require the relevant companies to prepare or to disclose in the Prospectus audited financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules. These disclosures are also not required pursuant to applicable U.S. securities laws. It could be prejudicial and potentially harmful to the Company's portfolio relationships and commercial interests to make such disclosures. In addition, as some portfolio companies are private, disclosing this information could harm their interests and bring them into an unfavorable competitive position. Accordingly, as the Company does not expect the Investments to result in any material changes to its financial position after the Track Record Period, the Company does not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interest of investor.

Alternative disclosure of the Investments in the Prospectus

The Company has disclosed alternative information about the Investments in the Prospectus. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that the Company's directors consider to be material, including, for example, descriptions of the relevant companies' principal business activities, the investment amounts, and a statement that whether the core connected persons at the level of the Company is a controlling shareholder of any of the Investments. The Company has however excluded disclosure on the names of certain companies in connection with the Investments in the Prospectus because (i) the Company has entered into confidentiality agreements with these companies and does not have consent for such disclosure and/or (ii) given that the Company has not yet entered into legally binding agreements with respect to all of the Investments as of the Latest Practicable Date and the competitive nature of the industries in which the Company operates, disclosure of the names of the relevant companies in the Prospectus is commercially sensitive and may jeopardize the Company's ability to consummate the proposed Investments. The Company considers that it is commercially sensitive to disclose the identities of the companies the Company invested in or propose to invest in as such information may enable the Company's competitors to anticipate the Company's investment strategy. Since the relevant percentage ratio of each Investment is less than 5% by reference to the most recent fiscal year of the Company's Track Record Period, the current disclosure is adequate for potential investors to form an informed assessment of the Company. The Company does not expect to use any proceeds from the Listing to fund the Investments.

Acquisitions since December 31, 2019

Since December 31, 2019, the Company has made or proposed to make a number of acquisitions and up to the Latest Practicable Date, and expects to continue to enter into further acquisitions subsequent to the Latest Practicable Date and prior to the date of the Prospectus (collectively, the "Acquisitions"). Details of the Acquisitions up to the Latest Practicable Date include:

<u>Targets⁽¹⁾⁽³⁾</u>	<u>Consideration⁽²⁾</u> <i>(approximately RMB million)</i>	<u>Percentage of shareholding/ equity interest⁽²⁾</u>	<u>Principal business activities</u>
Company V	3,000	55.10%	Logistics
Company W	8.5	70%	Pharmaceutical
Company X	139.6	100%	Logistics property
Company Y	1,453.4	100%	Retail
Company Z	484.8	100%	E-commerce

Notes:

- (1) Given that the Company has not yet entered into legally binding agreements for certain of the above Acquisitions as at the Latest Practicable Date, the terms and information set out above might be subject to further changes.
- (2) The approximate consideration disclosed in the table represents each of the Acquisitions after December 31, 2019. The percentage of shareholding/equity interest represents the Company's total pro forma shareholding in each of the Acquisitions after the completion of disclosed transaction.
- (3) None of the core connected persons at the level of the Company is a controlling shareholder of any of the Investments.

The acquisition amounts for the Acquisitions are the result of commercial arm's length negotiations, based on factors including stock price (for public companies), market dynamics, a mutually agreed valuation, and/or capital required for the target company's operations.

Conditions for granting the waiver and its scope in respect of the Acquisitions

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

The percentage ratios of each Acquisition are all less than 5% by reference to the most recent fiscal year of the Company's Track Record Period.

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for the Acquisitions are all less than 5% by reference to the most recent fiscal year of the Track Record Period. The Company does not believe that the Acquisitions are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Acquisitions involves the acquisition of interests in a different company and (ii) the Acquisitions were entered into with different counterparties.

Accordingly, the Company believes that each of the Acquisitions have not resulted in any significant changes to the Company's financial position since December 31, 2019, and all information that is reasonably necessary for the potential investors to make an informed assessment of the Company's activities or financial position has been included in the Prospectus. As such, the Company considers that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

The historical financial information of the targets is not available and would be unduly burdensome to obtain or prepare

The Company confirms that the targets in respect of the Acquisitions do not have available historical financial information which is readily available for disclosure in the Prospectus in accordance with the Hong Kong Listing Rules. In addition, it would require considerable time and resources for the Company and its reporting accountant to fully familiarize ourselves with the management accounting policies of the targets and compile the necessary financial information and supporting documents for disclosure in the Prospectus. As such, the Company believes that it would be impractical and unduly burdensome for the Company to disclose the

audited financial information of the targets as required under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules.

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

Alternative disclosure of the Acquisitions in the Prospectus

The Company has provided alternative information about the Acquisitions in the Prospectus. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that the Company's directors consider to be material, including, for example, descriptions of the targets' principal business activities, the investment amounts, and a statement that whether the core connected persons at the level of the Company is a controlling shareholder of any of the targets. The Company has however excluded disclosure on the names of certain targets in connection with the Acquisitions because (i) the Company has entered into confidentiality agreements with these companies and does not have consent from all of them for such disclosure and/or (ii) given that the Company has not yet entered into legally binding agreements with respect to all of these Acquisitions as of the Latest Practicable Date and the competitive nature of the industries in which the Company operates, disclosure of the names of the relevant companies in the Prospectus is commercially sensitive and may jeopardize the Company's ability to consummate the proposed Acquisitions. It is commercially sensitive to disclose the identities of the companies the Company invested in or propose to invest in as such information may enable its competitors to anticipate the Company's investment strategy. Since the relevant percentage ratio of each of the Acquisitions is less than 5% by reference to the most recent fiscal year of our Track Record Period, the current disclosure is adequate for potential investors to form an informed assessment of the Company. The Company does not expect to use any proceeds from the Listing to fund the Acquisitions.

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 (Winding Up and Miscellaneous Provisions) Ordinance set out certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

- (i) balance sheet at a company level;
- (ii) ageing analysis of accounts receivables;
- (iii) ageing analysis of accounts payables; and

- (iv) adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last fiscal year reported on.

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

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

ASC 606 was adopted beginning January 1, 2018 using the modified retrospective transition method that increased retained earnings by approximately RMB257 million rather than retrospectively adjusting prior periods. The Group began to recognize revenue from estimated unredeemed prepaid cards over the expected customer redemption periods, rather than waiting until prepaid cards expire or when the likelihood of redemption becomes remote.

ASU 2016-01, which amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments, was adopted on January 1, 2018. The 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, the Group measured long-term investments other than equity method investments at fair value through earnings, which could vary significantly quarter to quarter. For those investments without readily determinable fair values, the 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 fiscal years prior to the adoption. Upon the adoption of ASU 2016-01 on January 1, 2018, the Group recognizes a cumulative effect adjustment for the net unrealized gains related to marketable equity securities of RMB1,156.6 million from accumulated other comprehensive income to the opening balance of retained earnings in the period of adoption. The impact on the consolidated financial statements is disclosed in the Accountant’s Report in Appendix IA to the Prospectus. The full retrospective application of ASU 2016-01 is not permitted under 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 U.S. market and it may be misleading to disclose such information in the Accountant’s Report in Appendix IA to the Prospectus.

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

The following alternative disclosures with respect to certain items identified above which are relevant to the Company have been included in the Prospectus:

- disclosure of the accounting policies for the adoption of ASC 606 and ASU 2016-01 as well as the impact of adoption, if any, in the Accountant’s Report in Appendix IA to the Prospectus;
- disclosure of the accounting policy for the adoption of ASC 842 in the Accountants’ Report in Appendix IB to the Prospectus; and
- for the new accounting standard that came into effect in the fiscal year of 2019, the accounting policy as well as the impact of adoption, if any, to the beginning retained earnings of initial application (i.e. January 1, 2019) has been disclosed in the Accountants’ Report in Appendix IB to the Prospectus in accordance with the relevant requirements under U.S. GAAP.

As the Prospectus has included the above alternative disclosures and the current disclosure in the Prospectus contains all information which is necessary for the investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group, the Company believes that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountants’ Reports in Appendices IA and IB 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 (Winding Up and Miscellaneous Provisions) Ordinance and the non-disclosure of such information is not material and will not prejudice the interests of the investors.

The Company has 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. The Company has applied for, and the SFC has granted, an exemption from the requirements under Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted 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 June 8, 2020.

Dealings in Shares prior to Listing

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

The Company had over 800 subsidiaries and operating entities as of December 31, 2019, and its ADSs are widely held, publicly traded and listed on the Nasdaq. The Company considers that it is therefore not in a position to control the investment decisions of its shareholders or the investors in the US. As of the Latest Practicable Date, other than Mr. Richard Qiangdong Liu (the Company’s controlling shareholder, executive Director and Chief Executive Officer), 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 the Company.

For a company whose securities are listed and traded in the U.S., the Company notes that 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 Company considers that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Hong Kong Listing Rules:

- (i) Mr. Richard Qiangdong Liu (the Company’s controlling shareholder, executive Director and Chief Executive Officer) in respect of the respective dealings by Mr. Richard Qiangdong Liu and his close associates pursuant to Rule 10b5-1 Plan that they have set up prior to the Relevant Period (“**Category 1**”);
- (ii) the Company’s directors and chief executive other than Mr. Richard Qiangdong Liu, and the directors and chief executives of its 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 that they have set up prior to the Relevant Period (“**Category 2**”);

- (iii) directors, chief executives and substantial shareholders of the Company's non-Major Subsidiaries and their close associates (“**Category 3**”); and
- (iv) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become the Company's substantial shareholder and who is not its director or chief executive, or a director or chief executive of the Company's subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt,

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

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

- (i) Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in the Company's ADSs after the plans have been entered into. Where Category 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;
- (ii) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of the Company given that such persons are not in a position with access to information that is considered material to the Company taken as a whole. Given the large number of the Company's subsidiaries and its vast ADS holder base, the Company and its management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in its ADSs;
- (iii) the Company will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which the Company is aware;

- (iv) the Company will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of its core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (v) prior to the Listing Date, other than within the permitted scopes set out above, the Company's directors and chief executive and the directors and chief executives of its Major Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

Subscription for Shares by Existing Shareholders

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

The Company had over 800 subsidiaries and operating entities as of December 31, 2019, and its ADSs are widely held, publicly traded and listed on the Nasdaq. The Company confirms that Categories 3 and 4 of the Permitted Persons (as defined in “— Dealings in Shares Prior to the Listing” above) have no influence over the Global Offering and are not in possession of any non-public inside information and are effectively in the same positions as the public investors of the Company. Categories 3 and 4 of the Permitted Persons and other public investors are referred to as “**Permitted Existing Shareholders**”.

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

- (i) each Permitted Existing Shareholder is interested in less than 5% of the Company's total issued shares before the Listing;
- (ii) other than the Categories 3 and 4 of the Permitted Persons, each Permitted Existing Shareholder is not a core connected person of the Company or their close associates;
- (iii) the Permitted Existing Shareholders do not have the power to appoint directors of the Company or any other special rights in the Company;

- (iv) 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;
- (v) 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
- (vi) to the best of their knowledge and belief, each of the Company, the Joint Representatives and the Joint Sponsors (based on (a) its discussions with the Company and the Joint Representatives and (b) confirmations to be submitted to the Hong Kong Stock Exchange by the Company and the Joint Representatives), confirms to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders and their close associates as a placee in the International Offering by virtue of their relationship with the Company.

Allocation to the Permitted Existing Shareholders and/or their close associates will not be disclosed in the allotment results announcement of the Company as the Company believes that it would be unduly burdensome for the 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, after acquiring beneficial ownership of a class of equity securities registered under Section 12 of the U.S. Exchange Act, is a beneficial owner of more than 5% of that class of equity securities.

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, including publishing on the website of the Company and a formal notice in both English and Chinese-language newspaper the available channels for share subscription of the Hong Kong Offer Shares. We have applied for, and the Hong Kong Stock Exchange has granted to us, 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 the 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, companies applying for a secondary listing may seek a waiver from Rule 13.25B 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 the Company has obtained a partial exemption from the SFC, the Company has 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. The Company will disclose information about share repurchases, if material, in the Company's 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.

Particulars of any Commissions, Discounts and Brokerages and Alterations of Capital

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

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

The Company has identified 22 entities as its Major Subsidiaries. For further details, see the section headed "History and Corporate Structure — Major Subsidiaries and Operating Entities" in the Prospectus. The Company had more than 800 subsidiaries and operating entities as of December 31, 2019. The Company believes that would be unduly burdensome for the Company to disclose this information in respect of all of its subsidiaries as the Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors.

The Major Subsidiaries include all significant operating subsidiaries under the financial threshold of Regulation S-X in the U.S. (i.e. contributing more than 10% of the Group's total assets and income) and subsidiaries that are material to the Group's business operations (including those that hold major intellectual properties). By way of illustration, the audited aggregate revenue, net income and total assets of the Major Subsidiaries in respect of which the relevant information is disclosed represents over 95%, over 100% and approximately 65% of the Group's total revenue, net income and total assets for the year ended December 31, 2019, respectively. The Company's remaining subsidiaries and affiliated consolidated entities are individually insignificant to its overall results. As such, the Company has disclosed the particulars of the changes in its share capital and the Major Subsidiaries in the section headed "Statutory and General Information — Further Information About Us" in Appendix IV to the Prospectus, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of the Major Subsidiaries and the Company are set out in the section headed "Statutory and General Information — Other Information — Miscellaneous" of Appendix IV to the Prospectus.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements under paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules. The Company has applied for, and the SFC has granted, an exemption from the requirements under paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted 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 June 8, 2020.

Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to the 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 (Winding Up and Miscellaneous Provisions) Ordinance require the listing document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by the Company, or whose profits or assets make, or will make, a material contribution to the figures in the accountants' report or the next published accounts.

The Company believes that it would be unduly burdensome for the Company to procure this information for the reasons as set out in section headed “— Particulars of any Commissions, Discounts and Brokerages and Alternations of Capital” 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 and Operating Entities” and “Statutory and General Information — Further Information About Us” in Appendix IV to the Prospectus, which should be sufficient for potential investors to make an informed assessment of the Company in their investment decisions.

The Company has 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. The Company has applied for, and the SFC has granted, an exemption from the requirements under Paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted 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 June 8, 2020.

Disclosure Requirements of Options

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

Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further requires the 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 was given.

In relation to the Company, the only options over the capital or debentures are those issued under the Share Incentive Plan, which are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules. The Share Incentive Plan provides for the granting of options, restricted shares, RSUs or any other type of awards that the committee or the board decides. The waiver and exemption therefore only relates to the options that are granted under the Share Incentive Plan and the outstanding options, which only accounted for approximately 1.2% of the Company's total outstanding shares as of March 31, 2020. Mr. Richard Qiangdong Liu, the Company's executive director and Chief Executive Officer, has been granted with an option to acquire a total of 26,000,000 Class A ordinary shares of the Company as his 10-year compensation plan in May 2015. As of March 31, 2020, the options held by the Company's directors and executive officers and their affiliates, including the options granted to Mr. Richard Qiangdong Liu mentioned above, only represent approximately 0.9% of the Company's total outstanding shares.

Details of the Share Incentive Plan, including outstanding options held by Mr. Richard Qiangdong Liu, are set out in the section headed "Directors and Senior Management — Compensation — Share Incentive Plan", which summary is substantially the same as that disclosed in the Company's 20-F filings and complies with applicable U.S. laws and regulations. Accordingly, the current disclosure in the Prospectus is not in strict compliance with the requirements under paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

For the reasons stated above, the Company believes that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for the Company, and would not be material or meaningful to potential investors.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules. The Company has applied for, and the SFC has granted, an exemption from the requirements under Paragraph 10 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted 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 June 8, 2020.

Disclosure Requirements of Directors' and Five Highest Individuals' Emoluments

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.

Waiver in relation to directors' and five highest individuals' emoluments

The aggregate fees, salaries and benefits paid and accrued to its directors and executive officers as a group are disclosed in the section headed "Directors and Senior Management — Compensation" in the Prospectus. The Company confirms that the current disclosure complies with US annual reporting requirements and is in line with the Company's disclosure in its annual report on Form 20-F.

The Company believes 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.

The Company has 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 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.

Not 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.

The Company has applied for, and the SFC has granted, a ruling that the Company is not a “public company in Hong Kong” for the purposes of the Takeovers Codes. Therefore, the Takeovers Codes do not apply to the Company. In the event that the bulk of trading in the Shares migrates to Hong Kong such that the 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 the Company.

Disclosure of Interests under Part XV of SFO

Part XV of the SFO imposes duties of disclosure of interests in Shares. Under the U.S. Exchange Act, which the 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 the Company’s 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 the Company and its corporate insiders would provide our investors with sufficient information relating to the shareholding interests of our significant shareholders.

The Company has 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) the Company will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of our worldwide share turnover that takes place on the Hong Kong Stock Exchange. This exemption may be reconsidered by the SFC in the event there is a material change in information provided to the SFC.

Disclosure of Interests Information

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

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

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

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

- (i) the SFC granting the Company and its shareholders a partial exemption from strict compliance with Part XV of the SFO;
- (ii) the 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
- (iii) the Company undertaking to disclose in present and future listing documents any shareholding interests as disclosed in an SEC filing and the relationship between its directors, officers, members of committees and their relationship to any controlling shareholders.

Shareholder Protection

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 of the Hong Kong Listing Rules do not apply to an overseas issuer that is a Non-Greater China Issuer (as defined in the Hong Kong Listing Rules) or a Grandfathered Greater China Issuer seeking a secondary listing under Chapter 19C of the Hong Kong Listing Rules. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Non-Greater China Issuer or a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Hong Kong Listing Rules. The 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 Qualifying Issuer’s members or other body that is independent of the issuer’s board of directors, or the Auditors Provision.

However, our Articles of Association do not contain an equivalent Auditors Provision. The Company has 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:

- (i) while our board has the power to appoint, remove and remunerate the auditors, our board has formally delegated this function to the Audit Committee since our listing on the Nasdaq in 2014. 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. laws and the Nasdaq rules. The Audit Committee comprises of three members, all of whom are independent directors as required by the U.S. Exchange Act and applicable Nasdaq rules;
- (ii) the Company is seeking a listing on the Hong Kong Stock Exchange under Chapter 19C of the Hong Kong Listing Rules; and
- (iii) 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 minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer, while the minimum stake as currently set out in the Articles is not less than one-third of the votes attaching to all issued and outstanding Shares. The Company will amend the Articles after the Listing to comply with Rule 19C.07(7) of the Hong Kong Listing Rules. In addition, the Articles provide that quorum for a general meeting of the Company shall be one or more members holding Shares which represent, in aggregate, not less than one-third of the votes attaching to all issued and outstanding Shares.

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

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

Rules relating to spin-offs

Rule 19C.11 of the Hong Kong Listing Rules provides that, among other things, paragraphs 1 to 3(b) and 3(d) to 5 of Practice Note 15 of the Hong Kong Listing Rules (“**Practice Note 15**”) do not apply to a Qualifying Issuer 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 of the Company 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 date of listing of the 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 the Company does 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 date of the Prospectus, in light of the Group’s overall business scale, the Company may consider spinning off one or more of its 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 the Company and the businesses to be potentially spun-off and there will be no adverse impact on the interests of shareholders of the Company. As of the Latest Practicable Date, the Company has not identified any target for a potential spin-off; as a result the Company does not have any information relating to the identity of any spin-off target or any other details of any spin off and accordingly, there is no material omission of any information relating to any possible spin-off in the Prospectus.

The Company has 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:

- (i) no shareholders’ approval with respect to a Potential Spin-off will be required under the Articles under applicable U.S. regulations and Nasdaq listing rules. Further, as the Company is a Grandfathered Greater China Issuer 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;
- (ii) the effect of a spin-off to the shareholders of the Company 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, the Company believes 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 the Company;

- (iii) in any event, the 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, 8A or 19C of the Hong Kong Listing Rules (as the case may be), unless otherwise waived by the Hong Kong Stock Exchange;
- (iv) under U.S. securities laws and Nasdaq rules, the 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 its businesses, nor is there any requirement for the Company to disclose any details of its potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan; and
- (v) the directors owe fiduciary duties to the Company, including the duty to act in what they consider in good faith to be in the best interests of the Company; as such they will only pursue a potential spin-off if there are clear commercial benefits both to the Company and the entity or entities to be spun off; and the directors will not direct the Company to conduct any spin-off if they believe it will have an adverse impact on the interests of the Company's shareholders.

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

- (i) the Company undertakes that prior to any spin-off of its business through a listing on the Hong Kong Stock Exchange within three years after the Listing, the Company will confirm to the Hong Kong Stock Exchange with basis that the spin-off would not render the Company, 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 Company's Listing (calculated cumulatively if more than one entity is spun-off);
- (ii) the Company will disclose in the Prospectus its intention relating to any potential spin-off within three years after the Listing and the risks relating to the uncertainty and timing of any potential spin-offs (see "Risk Factors — Risks Related to Our Shares, ADSs and the Listing — We are exposed to risks associated with the potential spin-off of one or more of our businesses" in the Prospectus);
- (iii) any potential spin-offs by the Company will be subject to the requirements of Practice Note 15 (other than paragraph 3(b) thereof), including that each of the Company and its businesses to be spun off will satisfy the applicable listing eligibility requirements on a standalone basis; and
- (iv) disclosure of this waiver in the Prospectus.

The Company 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 the Company proceeds with a spin-off, the Company's interest in the entity to be spun-off (and its corresponding contribution to the financial results of our Group) will be reduced accordingly.

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 this listing document is published in June 2020, the Company is required to make the relevant indebtedness and liquidity disclosures no earlier than April 30, 2020 pursuant to HKEX-GL37-12. Given that the Company has included a report of its interim financial information for the period ended March 31, 2020 (i.e., the Company's first quarter financial information), which has been reviewed in accordance with Hong Kong Standard on Review Engagements ("**HKSRE**") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", it would be unduly burdensome for the Company to re-arrange information for similar Liquidity Disclosure on a consolidated basis shortly after the end of the first quarter of its financial year.

Strict compliance with the Liquidity Disclosure requirements would constitute additional one-off disclosure by the Company of its liquidity position on a date that would fall within the second quarter of its financial year (i.e. a date that would fall between March 31, 2020 and June 30, 2020), which would be otherwise not required to be disclosed to investors in the U.S. under applicable U.S. regulations and Nasdaq listing rules because the Company is required to announce quarterly results at the end and not in the middle of each quarter of its financial year. Such one-off disclosure is likely to confuse the Company's existing investors and deviates from its customary practice and that of other Nasdaq listed companies.

The Company has a strong liquidity position, see "Financial Information — Liquidity and Capital Resources" and "Recent Development — Financial Updates" in the Prospectus for further details, and the Company did not record any acceleration of indebtedness or incur any material expenses since March 31, 2020. In any event, if there has been any material changes to the Liquidity Disclosures since March 31, 2020, the Company will be required to make an announcement pursuant to the U.S. regulations and Nasdaq listing rules and disclose relevant material facts in the listing document pursuant to the Hong Kong Listing Rules.

In the event that there has been no material change to the Liquidity Disclosures since March 31, 2020, any similar disclosures made pursuant to HKEX-GL37-12 would not give additional meaningful information to investors.

We have applied for, and the Hong Kong Stock Exchange has granted us, 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 the Company's indebtedness and liquidity information and the date of the listing document would be no more than three calendar months).

Disclosure of Offer Price

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

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:

- (i) **The Public Offer Price will be determined by reference to the Company's ADS price:** The Company's ADSs is listed and traded on Nasdaq. With a view to aligning the interest of securities holders in both U.S. and Hong Kong, the Public Offer Price will be determined with reference to, among other factors, the closing price of the Company's ADSs on Nasdaq on the last trading day on or before the Price Determination Date. The market price of the Company's 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 the control of the Company;
- (ii) **Negative impact on the market price of the Company's 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 of the Company as an indication of the current market value of the Company's Shares, which may adversely affect the market price of the ADSs of the Company and the Offer Shares; and
- (iii) **Compliance with Companies (Winding Up and Miscellaneous Provisions) Ordinance.** Pursuant to paragraph 10(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) 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 (Winding Up and Miscellaneous Provisions) 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 the Company will only disclose the maximum Public Offer Price for the Hong Kong Offer Shares in the Prospectus.

See “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 the Nasdaq; and (iii) the source for investor to access the latest market price of the Company’s ADS.

Appointment of Director to Fill a Casual Vacancy on or as an Addition to the Board

Paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules requires that any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the first annual general meeting of the issuer after his appointment, and shall then be eligible for reelection (the “**Paragraph 4(2) of Appendix 3**”). In the note of paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules, it is provided that “in respect of Grandfathered Greater China Issuers and Non-Greater China Issuers that are permitted to have a WVR structure that does not comply with Chapter 8A of these Exchange Listing Rules, the Exchange will consider the applicability of this requirement on a case-by-case basis based on the circumstances of each individual case.”

The Company is a Grandfathered Greater China Issuer with a WVR structure that does not have to comply with certain requirements under Chapter 8A of the Hong Kong Listing Rules (“**Non-Chapter 8A Compliant WVR Structure**”) pursuant to the then Rule 19C.12 of the Hong Kong Listing Rules (repealed after December 31, 2021), such that the Company can maintain the existing WVR structure and only follow the disclosure requirements without complying with other safeguards under Chapter 8A of the Hong Kong Listing Rules. The Company was secondary listed on the Hong Kong Stock Exchange in June 2020, before the introduction of the core shareholder protection standards in the current Appendix 3 to the Hong Kong Listing Rules.

Since the WVR Beneficiary’s power to appoint directors is an integral part of the Company’s WVR structure, this has been reflected in the arrangement as set out in Article 90(e) (“**Article 90(e)**”) of the Company’s Second Amended and Restated Memorandum of Association and Articles of Association of Association (the “**Current M&AA**”), which provided that the affirmative vote of the founder (i.e. the Company’s WVR Beneficiary) is necessary for the board to appoint any person to be a director to fill a casual vacancy arising from the resignation of a former director or as an addition to the existing board. Article 90(e) does not comply with Paragraph 4(2) of Appendix 3, as a new director appointed under Article 90(e) can hold office beyond the first annual general meeting of the Company after his appointment. The Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Paragraph 4(2) of Appendix 3 and the waiver has been granted by the Hong Kong Stock Exchange on the basis that: (i) the adoption of Paragraph 4(2) of Appendix 3 would contradict the spirit of grandfathering the Non-Chapter 8A Compliant WVR Structure of a Grandfathered Greater China Issuer, and (ii) Article 90(e) forms an integral part of the Company’s WVR Structure, which is a ground of granting the waiver as codified in Paragraph 4(2) of Appendix 3.

Appointment, Removal and Remuneration of Auditors

Paragraph 17 of Appendix 3 to the Hong Kong Listing Rules requires that the appointment, removal and remuneration of auditors must be approved by a majority of the issuer's members or other body that is independent of the board of directors. Such rule is equivalent to the then rule 19C.07(3) of the Hong Kong Listing Rules (repealed after December 31, 2021).

At the time of listing, the Company has 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 conditions that, among others, the board of directors of the Company has delegated the power to appoint, remove and remunerate the auditors to the audit committee to the board, being an independent body of the board on the basis of the independent requirements as set out in applicable U.S. laws and the Nasdaq rules, and which comprises three members, all of whom are independent directors as required by the U.S. Exchange Act and applicable Nasdaq rules. Such waiver will continue to apply to the Company after paragraph 17 of Appendix 3 to the Hong Kong Listing Rules has come into effect.

Clawback Mechanism

Requirements under the Hong Kong Listing Rules

Paragraph 4.2 of PN18 of the Hong Kong Listing Rules (“**Paragraph 4.2**”) requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of the Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Joint Representatives shall apply clawback mechanism as set out below following the closing of the application lists with reference to the final offering size of the Global Offering (assuming the Over-allotment Option is not exercised) based on the offer price determined on the Price Determination Date.

Based on the current market conditions, the Joint Representatives shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 11,970,000 Shares, representing 9% of the Offer Shares initially available under the Global Offering;

- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 13,300,000 Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 15,960,000 Shares, representing 12% of the Offer Shares initially available under the Global Offering.

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

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Public Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

See “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in the Prospectus.

Compliance with Appendix 3 to the Hong Kong Listing Rules

Super-majority vote threshold

Paragraph 15 of Appendix 3 to the Hong Kong Listing Rules requires that a super-majority vote of the issuer’s members of the class to which the rights are attached shall be required to approve a change to those rights. Paragraph 16 of Appendix 3 to the Hong Kong Listing Rules requires that a super-majority vote of the issuer’s members in a general meeting shall be required to approve changes to an issuer’s constitutional documents, however framed. Paragraph 21 of Appendix 3 to the Hong Kong Listing Rules requires that super-majority vote of the issuer’s members in a general meeting shall be required to approve a voluntary winding up of an issuer.

Note 1 of paragraph 15 of Appendix 3 to the Hong Kong Listing Rules provides that a “supermajority vote” means at least three-fourths of the voting rights of the members holding shares in that class present and voting in person or by proxy at a separate general meeting of members of the class where the quorum for such meeting shall be holders of at least one third of the issued shares of the class. Note 1 of each of paragraphs 16 and 21 of Appendix 3 to the Hong Kong Listing Rules provides that a “super-majority vote” means at least three-fourths of the total voting rights of the members present and voting in person or by proxy at the general meeting.

Pursuant to the consultation paper of the Hong Kong Stock Exchange for the listing regime for overseas issuers issued in March 2021, the Hong Kong Stock Exchange stated that it does not intend to impose a higher threshold on existing issuers currently subject to the key shareholder protection standards under the “Joint policy statement regarding the listing of overseas companies” published jointly by the Hong Kong Stock Exchange and the Securities and Futures Commission (the “**JPM Standards**”). Such JPM Standards define a “super-majority vote” as a “two-third majority”. The Hong Kong Stock Exchange also stated that these issuers will be considered to be in compliance with the core protection standards in the current Appendix 3 to the Hong Kong Listing Rules if they complied with the requirements that were applicable to them in this regard at listing, and the Hong Kong Stock Exchange does not expect such existing listed issuers to be required to make amendments to their constitutional documents to comply with this standard.

As the Company has complied with the requirements that were applicable to the Company at its secondary listing, in which “super-majority” is defined as “majority of not less than two-thirds” in the Current M&AA, according to the said consultation paper and as confirmed by the Hong Kong Stock Exchange, the Company is considered to be in compliance with the core protection standards under Appendix 3 to the Hong Kong Listing Rules and is not required to make amendments to its constitutional documents in accordance with paragraphs 15, 16 and 21 of Appendix 3 to the Hong Kong Listing Rules.

A. WAIVERS AND EXEMPTIONS
— A2. BLACKLINED COMPARISON AGAINST
THE PREVIOUS VERSION

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 (“**Prospectus**”) dated June 8, 2020 and references to sections of the Prospectus shall be construed accordingly.

Relevant rule(s) waived	Subject matter
Rule 2.07A of the Hong Kong Listing Rules	Printed Corporate Communications
Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules	Investments and Acquisitions after the Track Record Period
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 (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements Relating to the Accountants’ Report
Rule 9.09(b) of the Hong Kong Listing Rules	Dealings in Shares prior to Listing
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
Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and Paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures
Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and Paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contribution to the Company
Paragraph 27 of Appendix 1A to the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements of Options

<u>Relevant rule(s) waived</u>	<u>Subject matter</u>
Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements of Directors' and Five Highest Individuals' Emoluments
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
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Hong Kong Listing Rules	Disclosure of Interests Information
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
Hong Kong Stock Exchange Guidance Letter HKEX-GL37-12	Disclosure requirements in respect of indebtedness and liquidity
Paragraph 15(2)(c) of Appendix 1A to the Hong Kong Listing Rules	Disclosure of Offer Price
<u>Paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules</u>	<u>Appointment of Director to Fill a Casual Vacancy On or as an Addition to the Board</u>
<u>Paragraph 17 of Appendix 3 to the Hong Kong Listing Rules</u>	<u>Appointment, Removal and Remuneration of Auditors</u>
Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules	Clawback Mechanism
<u>Compliance with Appendix 3 to the Hong Kong Listing Rules</u>	<u>Subject matter</u>
<u>Paragraphs 15, 16 and 21 of Appendix 3 to the Hong Kong Listing Rules</u>	<u>Super-majority Vote Threshold</u>

Relevant Rule(s) Waived

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.

The Company's ADSs have been listed on the Nasdaq since 2014. The Company has ADS holders globally and has a diverse shareholder base.

The Company does not currently produce or send out any corporate communications to its shareholders or holders of ADSs in printed form unless requested or in limited circumstances described below. The Company publicly files or furnishes various corporate communications with the SEC which are posted on the SEC's website. The Company's annual reports on Form 20-F and periodic reports on Form 6-K and all amendments to these reports, are also available free of charge on its website as soon as reasonably practicable after they are filed with or furnished to the SEC. Further, the Company will post its proxy materials on a publicly accessible website and send a notice including the proxy materials to its shareholders and holders of ADSs. Those documents will also be available on the Company's website.

Apart from the Hong Kong Offer Shares that the Company will offer for subscription by the public in Hong Kong, the International Offer Shares will be placed to professional, institutional, corporate and other investors in Hong Kong and elsewhere in the world. Given the Company's diverse shareholder base and the potential number of countries in which its shareholders are located, the Company considers that it would not be practicable for the Company to send printed copies of all its corporate communications to all of its shareholders. Further, the Company considers that it would not be practicable for the Company to approach its 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.

The Company has 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 the Company will:

- (i) issue all future corporate communications, as required by the Hong Kong Listing Rules and applicable to the Company, on its own website in English and Chinese, and on the Hong Kong Stock Exchange's website in English and Chinese;
- (ii) provide printed copies of proxy materials in English to its shareholders at no costs; and
- (iii) add to the "Investor Relations" page of its website which will direct investors to all of its future filings with the Hong Kong Stock Exchange.

Investments and Acquisitions after the Track Record Period

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

Pursuant to the Hong Kong Stock Exchange's Guidance Letter HKEX-GL32-12 ("GL32-12"), acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to GL32-12, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

Ordinary course of Investments since December 31, 2019

During the Track Record Period, the Company has made minority investments in a number of companies both in China and overseas in the ordinary and usual course of business to further its strategic objectives. Since December 31, 2019 and up to the Latest Practicable Date, the Company has made or proposed to make minority investments in a number of companies, and it expects to continue to enter into further minority investments subsequent to the Latest Practicable Date and prior to the date of the Prospectus (collectively, the "Investments"). Details of the Investments up to the Latest Practicable Date include:

Investment⁽¹⁾⁽³⁾	Consideration⁽²⁾ (approximately RMB million)	Percentage of shareholding/ equity interest⁽²⁾	Principal business activities
Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司)	191.0	8.98%	Retail of mobile communication terminals
Caissa Tosun Development Co., Ltd. (凱撒同盛發展股份有限公司)	450.0	Between 5% to 10%	Travel and tourism
Dada Nexus Limited	up to 427.9	Between 40% to 49.5%	Retail and delivery
Company A	158.4	42%	Technology services
Company B	37.5	15%	Technology services
Company C	673.0	49%	Healthcare

Investment ⁽¹⁾⁽³⁾	Consideration ⁽²⁾ <i>(approximately RMB million)</i>	Percentage of shareholding/ equity interest ⁽²⁾	Principal business activities
Company D	318.8	11.93%	Retail
Company E	13.1	45%	Logistics
Company F	7.5	14.92%	E-commerce
Company G	4.6	10%	Real estate
Company H	3.3	7.3%	Cloud services
Company I	75.3	12.9%	E-commerce
Company J	30.0	10%	Internet of things
Company K	264.4	1%	Retail
Company L	54.0	19.4%	Retail
Company M	615.4	4.9%	Media

Notes:

- (1) Given that the Company has not yet entered into legally binding agreements for certain of the above Investments as at the Latest Practicable Date, the terms and information set out above might be subject to further changes.
- (2) The approximate consideration disclosed in the table represents each of the Investment after December 31, 2019. The percentage of shareholding/equity interest represents the Company's total pro forma shareholding in each of the Investments after the completion of the disclosed transaction.
- (3) None of the core connected persons at the level of the Company is a controlling shareholder of any of the Investments.

The Company confirms that the investment amounts for the Investments are the result of commercial arm's length negotiations, based on factors including stock price (for public companies), market dynamics, a mutually agreed valuation, and/or capital required for the relevant company's operations.

Conditions for granting the waiver and its scope in respect of the Investments

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

Ordinary and usual course of business

The Company makes strategic equity investments in sectors relating to its business as part of its ordinary and usual course of business. The Company has a history of making minority investments and have conducted a number of minority investments during the Track Record Period.

The percentage ratios of each Investment are all less than 5% by reference to the most recent fiscal year of the Track Record Period

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for each of the Investments are all significantly less than 5% by reference to the most recent fiscal year of the Track Record Period. The Company does not believe that the Investments are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Investments involves the acquisition of interests in a different company and (ii) the Investments were entered into with different counterparties.

Accordingly, the Company believes that each of the Investments have not resulted in any significant changes to its financial position since December 31, 2019, and all information that is reasonably necessary for potential investors to make an informed assessment of its activities or financial position has been included in the Prospectus. As such, the Company considers that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

The Company is not able to exercise any control over the underlying company or business

The Company confirms that: (i) it only holds and/or will only hold a minority equity interest in each of the Investments and does not control their boards of directors, and expects this to remain the case for any subsequent Investments; and (ii) the Company is also not involved in the day to day management of these Investments and only enjoys minority strategic shareholder rights. The minority rights given to the Company are generally commensurate to its status as a minority shareholder and are for the protection of its interests as a minority stakeholder in the Investments. These rights are neither intended, nor sufficient to compel or require the relevant companies to prepare or to disclose in the Prospectus audited financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules. These disclosures are also not required pursuant to applicable U.S. securities laws. It could be prejudicial and potentially harmful to the Company's portfolio relationships and commercial interests to make such disclosures. In addition, as some portfolio companies are private, disclosing this information could harm their interests and bring them into an unfavorable competitive position. Accordingly, as the Company does not expect the Investments to result in any material changes to its financial position after the Track Record Period, the Company does not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interest of investor.

Alternative disclosure of the Investments in the Prospectus

The Company has disclosed alternative information about the Investments in the Prospectus. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that the Company's directors consider to be material, including, for example, descriptions of the relevant companies' principal business activities, the investment amounts, and a statement that whether the core connected persons at the level of the Company is a controlling shareholder of any of the Investments. The Company has however excluded disclosure on the names of certain companies in connection with the Investments in the Prospectus because (i) the Company has entered into confidentiality agreements with these companies and does not have consent for such disclosure and/or (ii) given that the Company has not yet entered into legally binding agreements with respect to all of the Investments as of the Latest Practicable Date and the competitive nature of the industries in which the Company operates, disclosure of the names of the relevant companies in the Prospectus is commercially sensitive and may jeopardize the Company's ability to consummate the proposed Investments. The Company considers that it is commercially sensitive to disclose the identities of the companies the Company invested in or propose to invest in as such information may enable the Company's competitors to anticipate the Company's investment strategy. Since the relevant percentage ratio of each Investment is less than 5% by reference to the most recent fiscal year of the Company's Track Record Period, the current disclosure is adequate for potential investors to form an informed assessment of the Company. The Company does not expect to use any proceeds from the Listing to fund the Investments.

Acquisitions since December 31, 2019

Since December 31, 2019, the Company has made or proposed to make a number of acquisitions and up to the Latest Practicable Date, and expects to continue to enter into further acquisitions subsequent to the Latest Practicable Date and prior to the date of the Prospectus (collectively, the "Acquisitions"). Details of the Acquisitions up to the Latest Practicable Date include:

<u>Targets⁽¹⁾⁽³⁾</u>	<u>Consideration⁽²⁾</u> <i>(approximately RMB million)</i>	<u>Percentage of shareholding/ equity interest⁽²⁾</u>	<u>Principal business activities</u>
Company V	3,000	55.10%	Logistics
Company W	8.5	70%	Pharmaceutical
Company X	139.6	100%	Logistics property
Company Y	1,453.4	100%	Retail
Company Z	484.8	100%	E-commerce

Notes:

- (1) Given that the Company has not yet entered into legally binding agreements for certain of the above Acquisitions as at the Latest Practicable Date, the terms and information set out above might be subject to further changes.
- (2) The approximate consideration disclosed in the table represents each of the Acquisitions after December 31, 2019. The percentage of shareholding/equity interest represents the Company's total pro forma shareholding in each of the Acquisitions after the completion of disclosed transaction.
- (3) None of the core connected persons at the level of the Company is a controlling shareholder of any of the Investments.

The acquisition amounts for the Acquisitions are the result of commercial arm's length negotiations, based on factors including stock price (for public companies), market dynamics, a mutually agreed valuation, and/or capital required for the target company's operations.

Conditions for granting the waiver and its scope in respect of the Acquisitions

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

The percentage ratios of each Acquisition are all less than 5% by reference to the most recent fiscal year of the Company's Track Record Period.

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for the Acquisitions are all less than 5% by reference to the most recent fiscal year of the Track Record Period. The Company does not believe that the Acquisitions are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Acquisitions involves the acquisition of interests in a different company and (ii) the Acquisitions were entered into with different counterparties.

Accordingly, the Company believes that each of the Acquisitions have not resulted in any significant changes to the Company's financial position since December 31, 2019, and all information that is reasonably necessary for the potential investors to make an informed assessment of the Company's activities or financial position has been included in the Prospectus. As such, the Company considers that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

The historical financial information of the targets is not available and would be unduly burdensome to obtain or prepare

The Company confirms that the targets in respect of the Acquisitions do not have available historical financial information which is readily available for disclosure in the Prospectus in accordance with the Hong Kong Listing Rules. In addition, it would require considerable time and resources for the Company and its reporting accountant to fully familiarize ourselves with the management accounting policies of the targets and compile the necessary financial information and supporting documents for disclosure in the Prospectus. As such, the Company believes that it would be impractical and unduly burdensome for the Company to disclose the

audited financial information of the targets as required under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules.

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

Alternative disclosure of the Acquisitions in the Prospectus

The Company has provided alternative information about the Acquisitions in the Prospectus. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that the Company's directors consider to be material, including, for example, descriptions of the targets' principal business activities, the investment amounts, and a statement that whether the core connected persons at the level of the Company is a controlling shareholder of any of the targets. The Company has however excluded disclosure on the names of certain targets in connection with the Acquisitions because (i) the Company has entered into confidentiality agreements with these companies and does not have consent from all of them for such disclosure and/or (ii) given that the Company has not yet entered into legally binding agreements with respect to all of these Acquisitions as of the Latest Practicable Date and the competitive nature of the industries in which the Company operates, disclosure of the names of the relevant companies in the Prospectus is commercially sensitive and may jeopardize the Company's ability to consummate the proposed Acquisitions. It is commercially sensitive to disclose the identities of the companies the Company invested in or propose to invest in as such information may enable its competitors to anticipate the Company's investment strategy. Since the relevant percentage ratio of each of the Acquisitions is less than 5% by reference to the most recent fiscal year of our Track Record Period, the current disclosure is adequate for potential investors to form an informed assessment of the Company. The Company does not expect to use any proceeds from the Listing to fund the Acquisitions.

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 (Winding Up and Miscellaneous Provisions) Ordinance set out certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

- (i) balance sheet at a company level;
- (ii) ageing analysis of accounts receivables;
- (iii) ageing analysis of accounts payables; and

- (iv) adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last fiscal year reported on.

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

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

ASC 606 was adopted beginning January 1, 2018 using the modified retrospective transition method that increased retained earnings by approximately RMB257 million rather than retrospectively adjusting prior periods. The Group began to recognize revenue from estimated unredeemed prepaid cards over the expected customer redemption periods, rather than waiting until prepaid cards expire or when the likelihood of redemption becomes remote.

ASU 2016-01, which amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments, was adopted on January 1, 2018. The 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, the Group measured long-term investments other than equity method investments at fair value through earnings, which could vary significantly quarter to quarter. For those investments without readily determinable fair values, the 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 fiscal years prior to the adoption. Upon the adoption of ASU 2016-01 on January 1, 2018, the Group recognizes a cumulative effect adjustment for the net unrealized gains related to marketable equity securities of RMB1,156.6 million from accumulated other comprehensive income to the opening balance of retained earnings in the period of adoption. The impact on the consolidated financial statements is disclosed in the Accountant’s Report in Appendix IA to the Prospectus. The full retrospective application of ASU 2016-01 is not permitted under 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 U.S. market and it may be misleading to disclose such information in the Accountant’s Report in Appendix IA to the Prospectus.

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

The following alternative disclosures with respect to certain items identified above which are relevant to the Company have been included in the Prospectus:

- disclosure of the accounting policies for the adoption of ASC 606 and ASU 2016-01 as well as the impact of adoption, if any, in the Accountant’s Report in Appendix IA to the Prospectus;
- disclosure of the accounting policy for the adoption of ASC 842 in the Accountants’ Report in Appendix IB to the Prospectus; and
- for the new accounting standard that came into effect in the fiscal year of 2019, the accounting policy as well as the impact of adoption, if any, to the beginning retained earnings of initial application (i.e. January 1, 2019) has been disclosed in the Accountants’ Report in Appendix IB to the Prospectus in accordance with the relevant requirements under U.S. GAAP.

As the Prospectus has included the above alternative disclosures and the current disclosure in the Prospectus contains all information which is necessary for the investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group, the Company believes that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountants’ Reports in Appendices IA and IB 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 (Winding Up and Miscellaneous Provisions) Ordinance and the non-disclosure of such information is not material and will not prejudice the interests of the investors.

The Company has 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. The Company has applied for, and the SFC has granted, an exemption from the requirements under Paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted 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 June 8, 2020.

Dealings in Shares prior to Listing

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

The Company had over 800 subsidiaries and operating entities as of December 31, 2019, and its ADSs are widely held, publicly traded and listed on the Nasdaq. The Company considers that it is therefore not in a position to control the investment decisions of its shareholders or the investors in the US. As of the Latest Practicable Date, other than Mr. Richard Qiangdong Liu (the Company’s controlling shareholder, executive Director and Chief Executive Officer), 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 the Company.

For a company whose securities are listed and traded in the U.S., the Company notes that 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 Company considers that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Hong Kong Listing Rules:

- (i) Mr. Richard Qiangdong Liu (the Company’s controlling shareholder, executive Director and Chief Executive Officer) in respect of the respective dealings by Mr. Richard Qiangdong Liu and his close associates pursuant to Rule 10b5-1 Plan that they have set up prior to the Relevant Period (“**Category 1**”);
- (ii) the Company’s directors and chief executive other than Mr. Richard Qiangdong Liu, and the directors and chief executives of its 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 that they have set up prior to the Relevant Period (“**Category 2**”);

- (iii) directors, chief executives and substantial shareholders of the Company's non-Major Subsidiaries and their close associates (“**Category 3**”); and
- (iv) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become the Company's substantial shareholder and who is not its director or chief executive, or a director or chief executive of the Company's subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt,

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

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

- (i) Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in the Company's ADSs after the plans have been entered into. Where Category 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;
- (ii) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of the Company given that such persons are not in a position with access to information that is considered material to the Company taken as a whole. Given the large number of the Company's subsidiaries and its vast ADS holder base, the Company and its management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in its ADSs;
- (iii) the Company will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which the Company is aware;

- (iv) the Company will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of its core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (v) prior to the Listing Date, other than within the permitted scopes set out above, the Company's directors and chief executive and the directors and chief executives of its Major Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of RSUs, incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

Subscription for Shares by Existing Shareholders

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

The Company had over 800 subsidiaries and operating entities as of December 31, 2019, and its ADSs are widely held, publicly traded and listed on the Nasdaq. The Company confirms that Categories 3 and 4 of the Permitted Persons (as defined in “— Dealings in Shares Prior to the Listing” above) have no influence over the Global Offering and are not in possession of any non-public inside information and are effectively in the same positions as the public investors of the Company. Categories 3 and 4 of the Permitted Persons and other public investors are referred to as “**Permitted Existing Shareholders**”.

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

- (i) each Permitted Existing Shareholder is interested in less than 5% of the Company's total issued shares before the Listing;
- (ii) other than the Categories 3 and 4 of the Permitted Persons, each Permitted Existing Shareholder is not a core connected person of the Company or their close associates;
- (iii) the Permitted Existing Shareholders do not have the power to appoint directors of the Company or any other special rights in the Company;

- (iv) 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;
- (v) 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
- (vi) to the best of their knowledge and belief, each of the Company, the Joint Representatives and the Joint Sponsors (based on (a) its discussions with the Company and the Joint Representatives and (b) confirmations to be submitted to the Hong Kong Stock Exchange by the Company and the Joint Representatives), confirms to the Hong Kong Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders and their close associates as a placee in the International Offering by virtue of their relationship with the Company.

Allocation to the Permitted Existing Shareholders and/or their close associates will not be disclosed in the allotment results announcement of the Company as the Company believes that it would be unduly burdensome for the 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, after acquiring beneficial ownership of a class of equity securities registered under Section 12 of the U.S. Exchange Act, is a beneficial owner of more than 5% of that class of equity securities.

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, including publishing on the website of the Company and a formal notice in both English and Chinese-language newspaper the available channels for share subscription of the Hong Kong Offer Shares. We have applied for, and the Hong Kong Stock Exchange has granted to us, 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 the 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, companies applying for a secondary listing may seek a waiver from Rule 13.25B 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 the Company has obtained a partial exemption from the SFC, the Company has 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. The Company will disclose information about share repurchases, if material, in the Company's 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.

Particulars of any Commissions, Discounts and Brokerages and Alterations of Capital

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

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

The Company has identified 22 entities as its Major Subsidiaries. For further details, see the section headed "History and Corporate Structure — Major Subsidiaries and Operating Entities" in the Prospectus. The Company had more than 800 subsidiaries and operating entities as of December 31, 2019. The Company believes that would be unduly burdensome for the Company to disclose this information in respect of all of its subsidiaries as the Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors.

The Major Subsidiaries include all significant operating subsidiaries under the financial threshold of Regulation S-X in the U.S. (i.e. contributing more than 10% of the Group's total assets and income) and subsidiaries that are material to the Group's business operations (including those that hold major intellectual properties). By way of illustration, the audited aggregate revenue, net income and total assets of the Major Subsidiaries in respect of which the relevant information is disclosed represents over 95%, over 100% and approximately 65% of the Group's total revenue, net income and total assets for the year ended December 31, 2019, respectively. The Company's remaining subsidiaries and affiliated consolidated entities are individually insignificant to its overall results. As such, the Company has disclosed the particulars of the changes in its share capital and the Major Subsidiaries in the section headed "Statutory and General Information — Further Information About Us" in Appendix IV to the Prospectus, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of the Major Subsidiaries and the Company are set out in the section headed "Statutory and General Information — Other Information — Miscellaneous" of Appendix IV to the Prospectus.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements under paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules. The Company has applied for, and the SFC has granted, an exemption from the requirements under paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted 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 June 8, 2020.

Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to the 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 (Winding Up and Miscellaneous Provisions) Ordinance require the listing document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by the Company, or whose profits or assets make, or will make, a material contribution to the figures in the accountants' report or the next published accounts.

The Company believes that it would be unduly burdensome for the Company to procure this information for the reasons as set out in section headed “— Particulars of any Commissions, Discounts and Brokerages and Alternations of Capital” 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 and Operating Entities” and “Statutory and General Information — Further Information About Us” in Appendix IV to the Prospectus, which should be sufficient for potential investors to make an informed assessment of the Company in their investment decisions.

The Company has 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. The Company has applied for, and the SFC has granted, an exemption from the requirements under Paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted 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 June 8, 2020.

Disclosure Requirements of Options

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

Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further requires the 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 was given.

In relation to the Company, the only options over the capital or debentures are those issued under the Share Incentive Plan, which are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules. The Share Incentive Plan provides for the granting of options, restricted shares, RSUs or any other type of awards that the committee or the board decides. The waiver and exemption therefore only relates to the options that are granted under the Share Incentive Plan and the outstanding options, which only accounted for approximately 1.2% of the Company's total outstanding shares as of March 31, 2020. Mr. Richard Qiangdong Liu, the Company's executive director and Chief Executive Officer, has been granted with an option to acquire a total of 26,000,000 Class A ordinary shares of the Company as his 10-year compensation plan in May 2015. As of March 31, 2020, the options held by the Company's directors and executive officers and their affiliates, including the options granted to Mr. Richard Qiangdong Liu mentioned above, only represent approximately 0.9% of the Company's total outstanding shares.

Details of the Share Incentive Plan, including outstanding options held by Mr. Richard Qiangdong Liu, are set out in the section headed "Directors and Senior Management — Compensation — Share Incentive Plan", which summary is substantially the same as that disclosed in the Company's 20-F filings and complies with applicable U.S. laws and regulations. Accordingly, the current disclosure in the Prospectus is not in strict compliance with the requirements under paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules and Paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

For the reasons stated above, the Company believes that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for the Company, and would not be material or meaningful to potential investors.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules. The Company has applied for, and the SFC has granted, an exemption from the requirements under Paragraph 10 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in the Prospectus. The SFC has granted 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 June 8, 2020.

Disclosure Requirements of Directors' and Five Highest Individuals' Emoluments

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.

Waiver in relation to directors' and five highest individuals' emoluments

The aggregate fees, salaries and benefits paid and accrued to its directors and executive officers as a group are disclosed in the section headed "Directors and Senior Management — Compensation" in the Prospectus. The Company confirms that the current disclosure complies with US annual reporting requirements and is in line with the Company's disclosure in its annual report on Form 20-F.

The Company believes 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.

The Company has 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 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.

Not 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.

The Company has applied for, and the SFC has granted, a ruling that the Company is not a “public company in Hong Kong” for the purposes of the Takeovers Codes. Therefore, the Takeovers Codes do not apply to the Company. In the event that the bulk of trading in the Shares migrates to Hong Kong such that the 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 the Company.

Disclosure of Interests under Part XV of SFO

Part XV of the SFO imposes duties of disclosure of interests in Shares. Under the U.S. Exchange Act, which the 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 the Company’s 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 the Company and its corporate insiders would provide our investors with sufficient information relating to the shareholding interests of our significant shareholders.

The Company has 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) the Company will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of our worldwide share turnover that takes place on the Hong Kong Stock Exchange. This exemption may be reconsidered by the SFC in the event there is a material change in information provided to the SFC.

Disclosure of Interests Information

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

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

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

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

- (i) the SFC granting the Company and its shareholders a partial exemption from strict compliance with Part XV of the SFO;
- (ii) the 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
- (iii) the Company undertaking to disclose in present and future listing documents any shareholding interests as disclosed in an SEC filing and the relationship between its directors, officers, members of committees and their relationship to any controlling shareholders.

Shareholder Protection

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 of the Hong Kong Listing Rules do not apply to an overseas issuer that is a Non-Greater China Issuer (as defined in the Hong Kong Listing Rules) or a Grandfathered Greater China Issuer seeking a secondary listing under Chapter 19C of the Hong Kong Listing Rules. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Non-Greater China Issuer or a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Hong Kong Listing Rules. The 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 Qualifying Issuer’s members or other body that is independent of the issuer’s board of directors, or the Auditors Provision.

However, our Articles of Association do not contain an equivalent Auditors Provision. The Company has 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:

- (i) while our board has the power to appoint, remove and remunerate the auditors, our board has formally delegated this function to the Audit Committee since our listing on the Nasdaq in 2014. 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. laws and the Nasdaq rules. The Audit Committee comprises of three members, all of whom are independent directors as required by the U.S. Exchange Act and applicable Nasdaq rules;
- (ii) the Company is seeking a listing on the Hong Kong Stock Exchange under Chapter 19C of the Hong Kong Listing Rules; and
- (iii) 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 minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer, while the minimum stake as currently set out in the Articles is not less than one-third of the votes attaching to all issued and outstanding Shares. The Company will amend the Articles after the Listing to comply with Rule 19C.07(7) of the Hong Kong Listing Rules. In addition, the Articles provide that quorum for a general meeting of the Company shall be one or more members holding Shares which represent, in aggregate, not less than one-third of the votes attaching to all issued and outstanding Shares.

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

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

Rules relating to spin-offs

Rule 19C.11 of the Hong Kong Listing Rules provides that, among other things, paragraphs 1 to 3(b) and 3(d) to 5 of Practice Note 15 of the Hong Kong Listing Rules (“**Practice Note 15**”) do not apply to a Qualifying Issuer 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 of the Company 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 date of listing of the 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 the Company does 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 date of the Prospectus, in light of the Group’s overall business scale, the Company may consider spinning off one or more of its 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 the Company and the businesses to be potentially spun-off and there will be no adverse impact on the interests of shareholders of the Company. As of the Latest Practicable Date, the Company has not identified any target for a potential spin-off; as a result the Company does not have any information relating to the identity of any spin-off target or any other details of any spin off and accordingly, there is no material omission of any information relating to any possible spin-off in the Prospectus.

The Company has 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:

- (i) no shareholders’ approval with respect to a Potential Spin-off will be required under the Articles under applicable U.S. regulations and Nasdaq listing rules. Further, as the Company is a Grandfathered Greater China Issuer 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;
- (ii) the effect of a spin-off to the shareholders of the Company 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, the Company believes 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 the Company;

- (iii) in any event, the 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, 8A or 19C of the Hong Kong Listing Rules (as the case may be), unless otherwise waived by the Hong Kong Stock Exchange;
- (iv) under U.S. securities laws and Nasdaq rules, the 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 its businesses, nor is there any requirement for the Company to disclose any details of its potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan; and
- (v) the directors owe fiduciary duties to the Company, including the duty to act in what they consider in good faith to be in the best interests of the Company; as such they will only pursue a potential spin-off if there are clear commercial benefits both to the Company and the entity or entities to be spun off; and the directors will not direct the Company to conduct any spin-off if they believe it will have an adverse impact on the interests of the Company's shareholders.

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

- (i) the Company undertakes that prior to any spin-off of its business through a listing on the Hong Kong Stock Exchange within three years after the Listing, the Company will confirm to the Hong Kong Stock Exchange with basis that the spin-off would not render the Company, 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 Company's Listing (calculated cumulatively if more than one entity is spun-off);
- (ii) the Company will disclose in the Prospectus its intention relating to any potential spin-off within three years after the Listing and the risks relating to the uncertainty and timing of any potential spin-offs (see "Risk Factors — Risks Related to Our Shares, ADSs and the Listing — We are exposed to risks associated with the potential spin-off of one or more of our businesses" in the Prospectus);
- (iii) any potential spin-offs by the Company will be subject to the requirements of Practice Note 15 (other than paragraph 3(b) thereof), including that each of the Company and its businesses to be spun off will satisfy the applicable listing eligibility requirements on a standalone basis; and
- (iv) disclosure of this waiver in the Prospectus.

The Company 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 the Company proceeds with a spin-off, the Company's interest in the entity to be spun-off (and its corresponding contribution to the financial results of our Group) will be reduced accordingly.

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 this listing document is published in June 2020, the Company is required to make the relevant indebtedness and liquidity disclosures no earlier than April 30, 2020 pursuant to HKEX-GL37-12. Given that the Company has included a report of its interim financial information for the period ended March 31, 2020 (i.e., the Company's first quarter financial information), which has been reviewed in accordance with Hong Kong Standard on Review Engagements ("**HKSRE**") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", it would be unduly burdensome for the Company to re-arrange information for similar Liquidity Disclosure on a consolidated basis shortly after the end of the first quarter of its financial year.

Strict compliance with the Liquidity Disclosure requirements would constitute additional one-off disclosure by the Company of its liquidity position on a date that would fall within the second quarter of its financial year (i.e. a date that would fall between March 31, 2020 and June 30, 2020), which would be otherwise not required to be disclosed to investors in the U.S. under applicable U.S. regulations and Nasdaq listing rules because the Company is required to announce quarterly results at the end and not in the middle of each quarter of its financial year. Such one-off disclosure is likely to confuse the Company's existing investors and deviates from its customary practice and that of other Nasdaq listed companies.

The Company has a strong liquidity position, see "Financial Information — Liquidity and Capital Resources" and "Recent Development — Financial Updates" in the Prospectus for further details, and the Company did not record any acceleration of indebtedness or incur any material expenses since March 31, 2020. In any event, if there has been any material changes to the Liquidity Disclosures since March 31, 2020, the Company will be required to make an announcement pursuant to the U.S. regulations and Nasdaq listing rules and disclose relevant material facts in the listing document pursuant to the Hong Kong Listing Rules.

In the event that there has been no material change to the Liquidity Disclosures since March 31, 2020, any similar disclosures made pursuant to HKEX-GL37-12 would not give additional meaningful information to investors.

We have applied for, and the Hong Kong Stock Exchange has granted us, 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 the Company's indebtedness and liquidity information and the date of the listing document would be no more than three calendar months).

Disclosure of Offer Price

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

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:

- (i) **The Public Offer Price will be determined by reference to the Company's ADS price:** The Company's ADSs is listed and traded on Nasdaq. With a view to aligning the interest of securities holders in both U.S. and Hong Kong, the Public Offer Price will be determined with reference to, among other factors, the closing price of the Company's ADSs on Nasdaq on the last trading day on or before the Price Determination Date. The market price of the Company's 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 the control of the Company;
- (ii) **Negative impact on the market price of the Company's 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 of the Company as an indication of the current market value of the Company's Shares, which may adversely affect the market price of the ADSs of the Company and the Offer Shares; and
- (iii) **Compliance with Companies (Winding Up and Miscellaneous Provisions) Ordinance.** Pursuant to paragraph 10(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) 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 (Winding Up and Miscellaneous Provisions) 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 the Company will only disclose the maximum Public Offer Price for the Hong Kong Offer Shares in the Prospectus.

See “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 the Nasdaq; and (iii) the source for investor to access the latest market price of the Company’s ADS.

Appointment of Director to Fill a Casual Vacancy on or as an Addition to the Board

Paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules requires that any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the first annual general meeting of the issuer after his appointment, and shall then be eligible for reelection (the “Paragraph 4(2) of Appendix 3”). In the note of paragraph 4(2) of Appendix 3 to the Hong Kong Listing Rules, it is provided that “in respect of Grandfathered Greater China Issuers and Non-Greater China Issuers that are permitted to have a WVR structure that does not comply with Chapter 8A of these Exchange Listing Rules, the Exchange will consider the applicability of this requirement on a case-by-case basis based on the circumstances of each individual case.”

The Company is a Grandfathered Greater China Issuer with a WVR structure that does not have to comply with certain requirements under Chapter 8A of the Hong Kong Listing Rules (“Non-Chapter 8A Compliant WVR Structure”) pursuant to the then Rule 19C.12 of the Hong Kong Listing Rules (repealed after December 31, 2021), such that the Company can maintain the existing WVR structure and only follow the disclosure requirements without complying with other safeguards under Chapter 8A of the Hong Kong Listing Rules. The Company was secondary listed on the Hong Kong Stock Exchange in June 2020, before the introduction of the core shareholder protection standards in the current Appendix 3 to the Hong Kong Listing Rules.

Since the WVR Beneficiary’s power to appoint directors is an integral part of the Company’s WVR structure, this has been reflected in the arrangement as set out in Article 90(e) (“Article 90(e)”) of the Company’s Second Amended and Restated Memorandum of Association and Articles of Association of Association (the “Current M&AA”), which provided that the affirmative vote of the founder (i.e. the Company’s WVR Beneficiary) is necessary for the board to appoint any person to be a director to fill a casual vacancy arising from the resignation of a former director or as an addition to the existing board. Article 90(e) does not comply with Paragraph 4(2) of Appendix 3, as a new director appointed under Article 90(e) can hold office beyond the first annual general meeting of the Company after his appointment. The Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Paragraph 4(2) of Appendix 3 and the waiver has been granted by the Hong Kong Stock Exchange on the basis that: (i) the adoption of Paragraph 4(2) of Appendix 3 would contradict the spirit of grandfathering the Non-Chapter 8A Compliant WVR Structure of a Grandfathered Greater China Issuer, and (ii) Article 90(e) forms an integral part of the Company’s WVR Structure, which is a ground of granting the wavier as codified in Paragraph 4(2) of Appendix 3.

Appointment, Removal and Remuneration of Auditors

Paragraph 17 of Appendix 3 to the Hong Kong Listing Rules requires that the appointment, removal and remuneration of auditors must be approved by a majority of the issuer's members or other body that is independent of the board of directors. Such rule is equivalent to the then rule 19C.07(3) of the Hong Kong Listing Rules (repealed after December 31, 2021).

At the time of listing, the Company has 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 conditions that, among others, the board of directors of the Company has delegated the power to appoint, remove and remunerate the auditors to the audit committee to the board, being an independent body of the board on the basis of the independent requirements as set out in applicable U.S. laws and the Nasdaq rules, and which comprises three members, all of whom are independent directors as required by the U.S. Exchange Act and applicable Nasdaq rules. Such waiver will continue to apply to the Company after paragraph 17 of Appendix 3 to the Hong Kong Listing Rules has come into effect.

Clawback Mechanism

Requirements under the Hong Kong Listing Rules

Paragraph 4.2 of PN18 of the Hong Kong Listing Rules (“**Paragraph 4.2**”) requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of the Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Joint Representatives shall apply clawback mechanism as set out below following the closing of the application lists with reference to the final offering size of the Global Offering (assuming the Over-allotment Option is not exercised) based on the offer price determined on the Price Determination Date.

Based on the current market conditions, the Joint Representatives shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 11,970,000 Shares, representing 9% of the Offer Shares initially available under the Global Offering;

- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 13,300,000 Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 15,960,000 Shares, representing 12% of the Offer Shares initially available under the Global Offering.

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

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Public Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

See “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in the Prospectus.

Compliance with Appendix 3 to the Hong Kong Listing Rules

Super-majority vote threshold

Paragraph 15 of Appendix 3 to the Hong Kong Listing Rules requires that a super-majority vote of the issuer’s members of the class to which the rights are attached shall be required to approve a change to those rights. Paragraph 16 of Appendix 3 to the Hong Kong Listing Rules requires that a super-majority vote of the issuer’s members in a general meeting shall be required to approve changes to an issuer’s constitutional documents, however framed. Paragraph 21 of Appendix 3 to the Hong Kong Listing Rules requires that super-majority vote of the issuer’s members in a general meeting shall be required to approve a voluntary winding up of an issuer.

Note 1 of paragraph 15 of Appendix 3 to the Hong Kong Listing Rules provides that a “supermajority vote” means at least three-fourths of the voting rights of the members holding shares in that class present and voting in person or by proxy at a separate general meeting of members of the class where the quorum for such meeting shall be holders of at least one third of the issued shares of the class. Note 1 of each of paragraphs 16 and 21 of Appendix 3 to the Hong Kong Listing Rules provides that a “super-majority vote” means at least three-fourths of the total voting rights of the members present and voting in person or by proxy at the general meeting.

Pursuant to the consultation paper of the Hong Kong Stock Exchange for the listing regime for overseas issuers issued in March 2021, the Hong Kong Stock Exchange stated that it does not intend to impose a higher threshold on existing issuers currently subject to the key shareholder protection standards under the “Joint policy statement regarding the listing of overseas companies” published jointly by the Hong Kong Stock Exchange and the Securities and Futures Commission (the “JPM Standards”). Such JPM Standards define a “super-majority vote” as a “two-third majority”. The Hong Kong Stock Exchange also stated that these issuers will be considered to be in compliance with the core protection standards in the current Appendix 3 to the Hong Kong Listing Rules if they complied with the requirements that were applicable to them in this regard at listing, and the Hong Kong Stock Exchange does not expect such existing listed issuers to be required to make amendments to their constitutional documents to comply with this standard.

As the Company has complied with the requirements that were applicable to the Company at its secondary listing, in which “super-majority” is defined as “majority of not less than two-thirds” in the Current M&AA, according to the said consultation paper and as confirmed by the Hong Kong Stock Exchange, the Company is considered to be in compliance with the core protection standards under Appendix 3 to the Hong Kong Listing Rules and is not required to make amendments to its constitutional documents in accordance with paragraphs 15, 16 and 21 of Appendix 3 to the Hong Kong Listing Rules.

B. FOREIGN LAWS AND REGULATIONS — B1. LATEST VERSION

Our Company is incorporated in the Cayman Islands and governed by its Memorandum and Articles of Association, as amended from time to time, and subject to the Companies Act (As Revised) of the Cayman Islands (the “**Cayman Companies Act**” or the “**Companies Act**”). Our ADSs are also listed in the U.S. on the Nasdaq under the symbol “JD”; we are considered a “foreign private issuer” and are therefore, also subject to certain U.S. laws and regulations and the Nasdaq rules. Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company (as amended from time to time), Cayman Companies Act, U.S. laws and regulations, Nasdaq rules and other laws and regulations applicable to our Company. This summary does not contain all applicable laws and regulations, nor does it set out all the differences with laws and regulations in Hong Kong, or constitute legal or tax advice. Unless the context requires otherwise, capitalized terms used herein shall have the meanings given to them in the Company’s prospectus (“**Prospectus**”) dated June 8, 2020 and references to sections of the Prospectus shall be construed accordingly.

Memorandum and Articles of Association

Dividends

The holders of ordinary shares are entitled to such dividends as may be declared by the board of Directors. In addition, shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by the directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or the Company’s share premium account, and provided further that a dividend may not be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

Dividends received by each Class B ordinary share and Class A ordinary share in any dividend distribution shall be the same.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by the board of Directors and, if so forfeited, shall revert to the Company.

Voting Rights

Holders of Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of the shareholders, except as may otherwise be required by law or provided for in the Memorandum and Articles of Association. In respect of matters requiring shareholders’ vote, except for where they are required by the Hong Kong Listing Rules to abstain from voting to approve the matter under consideration, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to twenty votes. Voting at any shareholders’ meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder holding not less than 10% of the votes of the issued and outstanding voting shares in the Company present in person or by proxy.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to the Memorandum and Articles of Association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of the Company, as permitted by the Companies Act and the Memorandum and Articles of Association.

Under the Memorandum and Articles of Association, so long as the total issued and outstanding Class B ordinary shares constitute a majority of the aggregate voting rights powers of the Company and a majority of the total issued and outstanding Class A ordinary shares are held by the persons (exclusive of Max Smart Limited, Fortune Rising Holdings Limited, Mr. Richard Qiangdong Liu and their affiliates) that were shareholders on May 28, 2014, any amendments to the Memorandum and Articles of Association and certain related party transactions between Mr. Richard Qiangdong Liu or any of his immediate family members or affiliates, on one hand, and the Company on the other hand, require approval by both (i) holders of a majority of the total issued and outstanding Class A ordinary shares (exclusive of Max Smart Limited, Fortune Rising Holdings Limited, Mr. Richard Qiangdong Liu and their Affiliates) and (ii) holders of a majority of the aggregate voting rights.

Liquidation

On a winding up of the Company, if the assets available for distribution among the shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed among the shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. If the assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by the shareholders in proportion to the par value of the shares held by them.

Director's Borrowing Powers

The board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other such securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

Redemption, Purchase and Surrender of Shares

The Company may issue shares on terms that such shares are subject to redemption, at the option of the Company or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by the board of Directors or by a special resolution of the shareholders. The Company may also repurchase any of the Company's shares provided that the manner and terms of such purchase have been approved by the board of Directors or by ordinary resolution of the shareholders, or are otherwise authorized by the Memorandum and Articles of Association. Under the Companies Act, the redemption or repurchase of any share may be paid out of the Company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the Company has commenced liquidation. In addition, the Company may accept the surrender of any fully paid share for no consideration.

Cayman Companies Act

Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of the shareholders or class of shareholders, as the case may be, or (b) a majority in number representing 75% in value of the creditors or each class of creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

U.S. Regulatory Provisions

Shareholder Rights Under the Deposit Agreement

- *Prompt receipt of distributions.* Whenever the depositary receives any dividend or other distribution on the underlying shares, the depositary must promptly distribute the amount received (net of taxes and the fees/expenses of the depositary) to the ADR holders.
- *Voting of deposited securities.* Upon receipt of notice of any shareholders meeting, if requested in writing by the Company, the depositary must, as soon as practicable, mail to ADR holders a notice containing key information received by the depositary; and upon written instruction by the ADR holder, the depositary will, as far as practicable, vote the underlying Shares in accordance with the ADR holder's instructions. If no instructions are received, the depositary may give a discretionary proxy to a person designated by the Company.
- *Reports.* ADR holders have a right to inspect reports and communications, including proxy soliciting material, received from the Company by the depositary or generally made available to Shareholders.
- *Withdrawal.* Subject to limited exceptions, ADR holders have the right to cancel their ADSs and withdraw the underlying Shares at any time.

Shareholder Proposals and Approvals

As a foreign private issuer, our Company is not subject to SEC rules regarding proxy statements to shareholders. Instead, shareholder proposals must be made in accordance with our Company's Articles of Association, as amended.

Each Nasdaq-listed company is generally required to obtain shareholder approval of certain issuances of securities, including in connection with: (i) acquiring the stock or assets of another company; (ii) equity-based compensation of officers, directors, employees or consultants; (iii) a change of control; and (iv) private placements. However, as our Company is a foreign private issuer, it can follow "home country practice" (i.e., the practice in the Cayman Islands) in lieu of complying with the above Nasdaq rule.

Corporate Governance

The Nasdaq Marketplace Rules contain a number of corporate governance requirements for Nasdaq-listed companies, the principal of which are:

- *Majority Independent Directors.* A majority of the board of directors must be comprised of "Independent Directors."
- *Audit Committee.* Each Nasdaq-listed company must have an audit committee of at least three members consisting of independent directors who satisfy certain requirements.

- *Compensation Committee.* Each Nasdaq-listed company must have a compensation committee of at least two members consisting of independent directors.
- *Nomination Committee.* The independent directors or a committee of independent directors must select or recommend nominees for directors.

However, as a foreign private issuer, our Company can opt to be exempt from most of the requirements if we choose to follow “home country practice”, which would be disclosed in our annual report (Form 20-F). Notwithstanding, our Company cannot opt out of complying with SEC Rule 10A-3, which includes, among other things, the requirement to maintain an audit committee, which would be responsible for establishing procedures for handling complaints regarding our Company’s accounting practices.

Sarbanes-Oxley Requirements

The Company is also subject to the *U.S. Sarbanes-Oxley Act of 2002* (“**Sarbanes-Oxley**”). Sarbanes-Oxley addresses issues such as the composition of the audit committee of the board of directors and the adoption of the company codes of ethics, including:

- *No personal loans to directors or executive officers.* A company cannot extend personal loans to its directors and executive officers.
- *Whistle-blower protection.* The company is required to establish procedures for confidential and anonymous submission by employees of accounting-related concerns.

Takeover Regulations

Mergers. If we are required to seek shareholder approval in connection with a merger pursuant to the requirements of Cayman Islands law or our Articles of Association, as amended, we will furnish the proxy statement for the applicable shareholders’ meeting to the SEC on a current report on Form 6-K. As noted above, however, foreign private issuers such as our Company may elect to follow their “home country practices” in lieu of complying with applicable shareholder approval requirements under the Nasdaq Marketplace Rules. In addition, if the merger involves the issuance of shares, we may be required to register the offering of such shares with the SEC.

Tender Offers. Neither the U.S. federal securities laws nor the Nasdaq Marketplace Rules have the concept of a “general offer.” Therefore, a party making a tender offer is free to decide how many shares will be subject to the offer. All holders of the same class of securities must be treated equally and the highest consideration paid to any one shareholder of that class of securities must be paid to all shareholders of that same class. A tender offer must remain open for a minimum of 20 business days after commencement, and may be extended in circumstances. Within 10 business days of commencement, the subject company must send a notice to its shareholders recommending whether to accept or reject a tender offer, or expressing a neutral position.

Disclosure of Interests for Major Shareholders. Any person who, after acquiring beneficial ownership of a class of equity securities (which includes the power to direct the voting or the disposition of the securities) registered under Section 12 of the Exchange Act (“**Registered Equity Class**”), is a beneficial owner of more than 5% of the Registered Equity Class, must publicly file beneficial owner reports (Schedule 13D or Schedule 13G) 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. Schedule 13D must be filed by all shareholders who are not otherwise eligible to use Schedule 13G.

The International Organization of Securities Commission

The China Securities Regulatory Commission, which is the statutory securities regulator of China, is a member of the International Organization of Securities Commission and a signatory of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.