美团点评
Meituan Dianping

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

ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

The Board of Directors (the "Board") of Meituan Dianping 美团点評 (the "Company") is pleased to announce the audited consolidated results of the Company for the year ended December 31, 2018. These results have been audited by the Auditor in accordance with International Standards on Auditing, and have also been reviewed by the Audit Committee.

In this announcement, "we", "us", and "our" refer to the Company.

KEY HIGHLIGHTS

1. Financial Summary

	Unaudited Three Months Ended				
	December 31, 2018		December 31, 2017		
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues	Year-over-year change
	(RMB in thousands, except for percentages)				
Revenues	**19,803,452**	**100.0%**	10,475,378	100.0%	89.0%
Gross profit	**4,480,994**	**22.6%**	3,351,509	32.0%	33.7%
Operating loss	**(3,734,518)**	**(18.9%)**	(1,530,599)	(14.6%)	144.0%
Loss before income tax	**(3,690,373)**	**(18.6%)**	(2,202,664)	(21.0%)	67.5%
Loss for the period	**(3,414,252)**	**(17.2%)**	(2,180,818)	(20.8%)	56.6%
Non-IFRS Measures:					
Adjusted EBITDA	**(854,601)**	**(4.3%)**	(1,358,685)	(13.0%)	(37.1%)
Adjusted net loss	**(1,861,856)**	**(9.4%)**	(1,385,447)	(13.2%)	34.4%

	Year Ended				
	December 31, 2018		December 31, 2017		
	Amount	**As a percentage of revenues**	Amount	As a percentage of revenues	Year-over-year change
	(RMB in thousands, except for percentages)				
Revenues	**65,227,278**	**100.0%**	33,927,987	100.0%	92.3%
Gross profit	**15,104,958**	**23.2%**	12,219,504	36.0%	23.6%
Operating loss	**(11,085,797)**	**(17.0%)**	(3,826,092)	(11.3%)	189.7%
Loss before income tax	**(115,490,807)**	**(177.1%)**	(18,933,663)	(55.8%)	NA
Loss for the year	**(115,492,695)**	**(177.1%)**	(18,987,881)	(56.0%)	NA
Non-IFRS Measures:					
Adjusted EBITDA	**(4,733,831)**	**(7.3%)**	(2,691,811)	(7.9%)	75.9%
Adjusted net loss	**(8,517,188)**	**(13.1%)**	(2,852,716)	(8.4%)	198.6%

2. Financial Information by Segment

	Unaudited Three Months Ended					
	December 31, 2018			December 31, 2017		
	Food delivery	**In-store, hotel & travel**	**New initiatives and others**	Food delivery	In-store, hotel & travel	New initiatives and others
	(RMB in thousands, except for percentages)					
Revenues	**11,006,277**	**4,594,132**	**4,203,043**	6,624,416	3,103,191	747,771
Gross profit/(loss)	**1,471,721**	**3,988,258**	**(978,985)**	415,989	2,720,830	214,690
Gross margin	**13.4%**	**86.8%**	**(23.3%)**	6.3%	87.7%	28.7%

	Year Ended					
	December 31, 2018			December 31, 2017		
	Food delivery	**In-store, hotel & travel**	**New initiatives and others**	Food delivery	In-store, hotel & travel	New initiatives and others
	(RMB in thousands, except for percentages)					
Revenues	**38,143,083**	**15,840,361**	**11,243,834**	21,031,933	10,852,810	2,043,244
Gross profit/(loss)	**5,268,197**	**14,095,355**	**(4,258,594)**	1,699,419	9,579,479	940,606
Gross margin	**13.8%**	**89.0%**	**(37.9%)**	8.1%	88.3%	46.0%

3. Operating Metrics

	Three Months Ended			Year Ended		
	December 31, 2018	December 31, 2017	**Year-over-year change**	**December 31, 2018**	December 31, 2017	**Year-over-year change**
	(RMB in billions)		*(in percentages)*	*(RMB in billions)*		*(in percentages)*
Gross transaction volume:						
Food delivery	**80.2**	57.0	40.6%	**282.8**	171.1	65.3%
In-store, hotel & travel	**44.7**	39.9	11.9%	**176.8**	158.1	11.8%
New Initiatives and others	**13.1**	7.2	82.5%	**56.0**	28.0	99.8%
Total	**138.0**	104.1	32.5%	**515.6**	357.2	44.3%

	Three Months Ended			Year Ended		
	December 31, 2018	December 31, 2017	**Year-over-year change**	**December 31, 2018**	December 31, 2017	**Year-over-year change**
	(in millions)		*(in percentages)*	*(in millions)*		*(in percentages)*
Number of food delivery transactions	**1,832.3**	1,354.0	35.3%	6,393.4	4,089.7	56.3%
Number of domestic hotel room nights	**74.4**	59.2	25.6%	283.9	205.0	38.5%

	Year Ended		
	December 31, 2018	December 31, 2017	**Year-over-year change**
	(in millions)		*(in percentages)*
Number of Transacting Users	**400.4**	309.5	29.3%
Number of Active Merchants	**5.8**	4.4	32.1%
	(units)		*(in percentages)*
Average number of transactions per annual Transacting User	**23.8**	18.8	26.5%

FINANCIAL PERFORMANCE HIGHLIGHTS

In the year ended December 31, 2018:

- **Total revenues** increased by 92.3% year-over-year to RMB65.2 billion from RMB33.9 billion in 2017. We achieved strong revenue growth across all major business segments.

- **Total gross profit** increased to RMB15.1 billion year-over-year from RMB12.2 billion in 2017. We continued to make gross margin improvement in our core businesses such as food delivery and in-store, hotel & travel.

- **Selling and marketing expenses** as a percentage of total revenues decreased to 24.3% from 32.2% in 2017, attributable to economies of scale, our stronger brands and healthy operating leverage.

- **Negative adjusted EBITDA** and **adjusted net loss** were RMB4.7 billion and RMB8.5 billion, respectively. While our significant investments in new initiatives in 2018 to some extent tempered our increase in overall profitability, our food delivery segment and in-store, hotel & travel segment on a combined basis generated positive adjusted operating profit[1] in 2018. In addition, our negative adjusted EBITDA and adjusted net loss continue to narrow sequentially on a quarter-over-quarter basis in the fourth quarter of 2018.

OPERATING HIGHLIGHTS

In the year ended December 31, 2018:

- **Total Gross Transaction Volume** (GTV) on our platform grew by 44.3% to RMB515.6 billion in 2018 from RMB357.2 billion in 2017.

- **Annual Transacting Users** on our platform grew by 29.3% to 400.4 million in 2018 from 309.5 million in 2017. On average, the annual number of transactions each Transacting User made on our platform increased to 23.8 transactions in 2018 from 18.8 transactions in 2017.

- **Annual Active Merchants** on our platform grew by 32.1% to 5.8 million in 2018 from 4.4 million in 2017.

- **Overall monetization rate**[2] increased to 12.6% in 2018 from 9.5% in 2017.

---

1 Adjusted operating profit equals operating profit excluding the impact of other gains, net, fair value changes on investments measured at fair value through profit or loss, share-based compensation expenses and amortization of intangible assets resulting from acquisitions.

2 Monetization rate equals the revenues for the year/period divided by the Gross Transaction Volume for the year/period.

BUSINESS REVIEW AND OUTLOOK

1. Company Business Highlights

Food delivery

In 2018, our food delivery business sustained its strong growth momentum. The daily average number of food delivery transactions increased by 56.3% to RMB17.5 million in 2018 from 11.2 million in 2017. GTV of our food delivery business increased by 65.3% to RMB282.8 billion in 2018 from RMB171.1 billion in 2017. Revenue from food delivery increased by 81.4% year-over-year to RMB38.1 billion.

As the world's largest food delivery service provider, we further cemented our market-leading position during 2018 with a strategic focus on enhancing user experience, expanding service categories and food delivery consumption scenarios, providing more comprehensive service solutions to merchants, and improving service quality and efficiency of our delivery network.

On the consumer front, we continued to implement innovative tactics to acquire users, particularly those internet users who have not yet used food delivery services from an online platform. We fully utilized our offline operation teams, delivery network and marketing resources as a whole to drive online traffic and attract new users. Meanwhile, we established a reward mechanism to incentivize user referrals through social media networks.

In addition, through creating more diversified service categories, consumption scenarios and upgrading marketing programs, we increased users' transaction frequency and further boosted transaction volume growth. We continued to expand the service categories on our platform to include breakfasts, afternoon tea and midnight snacks. Delivery volume of fast food, snacks, desserts and drinks achieved strong growth during 2018. Since the fourth quarter of 2018, we have leveraged our food delivery membership program and marketing initiatives such as holiday coupon packages to increase purchase frequency of our users.

On the merchant front, we continued to help restaurants reach new target customers, access substantial new consumption demand and enable merchants to improve their operational efficiencies. Our delivery capabilities have been further strengthened to help our merchants increase the delivery radius, for example, in 2018, there was an increase in portion of delivery orders coming from more than 3 kilometers away.

Regarding our delivery service, we have been continuously optimizing the algorithms of our intelligent order dispatching system to further improve delivery efficiency, and enhancing the training and management of our delivery riders to ensure the consistency of our industry-leading service quality while fulfilling the fast-growing number of food delivery orders.

In-store, hotel & travel

Our in-store, hotel & travel businesses continued to solidify its market leadership and further demonstrated strong monetization capability in 2018. While the GTV of in-store, hotel & travel businesses grew by 11.8% to RMB176.8 billion in 2018 from RMB158.1 billion in 2017, the monetization rate increased to 9.0% from 6.9%, which was primarily due to the increasing contribution of online marketing revenue. As a result, revenues from in-store, hotel & travel businesses in 2018 increased by 46.0% to RMB15.8 billion in 2018 from RMB10.9 billion in 2017. Gross profit from in-store, hotel & travel businesses increased to RMB14.1 billion in 2018 from RMB9.6 billion in 2017, while the gross margin expanded to 89.0% from 88.3%.

In 2018, we demonstrated the capability of our platform to successfully cross selling a variety of low-frequency services to users that we have acquired through our high-frequency food services. Our comprehensive offerings cover consumers' daily needs, such as hotel and travel, leisure and entertainment, beauty, parenting, wedding planning, home renovations and vocational training, among others. In addition to the deals that we help merchants promote, we also enhanced our service offerings for merchants by providing them with more diversified marketing solutions, such as CPC and subscription-based marketing solutions. As a result, online marketing services revenue contributed a more significant portion of revenues of our in-store business in 2018, driven by the increasing number of online marketing Active Merchants. In particular, advertising revenues generated from beauty, vocational training, parenting, and leisure and entertainment increased by over 60% year-over-year in 2018.

As an important category of our in-store business, we further solidified the leading position of our hotel booking business in 2018. Domestic room nights consumed increased by 38.5% to 283.9 million in 2018 from 205.0 million in 2017, while average daily rate per room night experienced a steady increase year-over-year. We have also been strengthening the synergy between our hotel booking and other in-store businesses. Through cross-selling dining services, wedding planning services, spa, gyms and others services, we were able to help hotels further substantiate their revenue streams from non-lodging services.

In addition, we launched the Black Pearl Restaurant Guide in January 2018, which further strengthened our Company's brand awareness and helped reinforce Meituan Dianping as the go-to platform of quality dining selections for consumers and authoritative online marketing channel for premium restaurants in China. In the Guide of 2019, a total of 287 restaurants in 22 cities in China and 5 cities abroad are listed.

New initiatives and others

GTV from the new initiatives and others segment increased by 99.8% to RMB56.0 billion in 2018 from RMB28.0 billion in 2017. Revenues from the new initiatives and others segment increased by 450.3% to RMB11.2 billion in 2018 from RMB2.0 billion in 2017. Gross margin of the new initiatives and others segment was negative 37.9% in 2018, compared with positive 46.0% in 2017.

In 2018, we increased our investment in new service categories for both consumers and merchants to satisfy consumers' growing demand for more diversified lifestyle services and improve merchants' operational efficiency.

We stepped up our investment in our Restaurant Management System ("RMS") and supply chain solutions, through which we can strengthen relationship with the merchants on our platform, improve their operational efficiency, and explore additional monetization opportunities in the food service value chain. Our RMS is revolutionizing the restaurant software industry with a SaaS model. It enables restaurants to digitize their entire operations and to better connect with online platforms. In December 2018, in addition to further upgrading our RMS standard edition, we also launched our RMS beverage vertical edition. So far, some of the most prominent teashop brands and fastest-growing beverage chain stores in China have adopted our RMS beverage edition, which helped them improve operational efficiency, lower labor costs, and optimize user experiences. Our supply chain solutions are also transforming the food service distribution with mobile commerce. Merchants can see real-time prices and inventory availability of food ingredients on our Kuailv Mall mobile app, and make orders anytime, anywhere. By aggregating orders from a large merchant base, we will be able to consolidate purchasing and distribution with stronger operating leverage, and pass on the efficiency gains to merchants.

We launched our pilot car-hailing services in Nanjing and Shanghai to increase high-frequency services on our platform. In April 2018, we completed the acquisition of Mobike to better serve our users' high-frequency short-distance transportation needs, increase the touchpoints of our platform to consumers, collect more location-based service data, and expand cross-selling opportunities with our other service categories. Since the acquisition, we have been leveraging our offline operation experience and capabilities to increase the operational efficiency of Mobike and reduce its operating losses. We also have started to integrate Mobike's operations into our platform. We have implemented organizational realignments and integrated operation to improve management efficiency. In order to better direct offline traffic to our online platform, we have added the portal to unlock the bikes in Meituan app to gradually cultivate the users to use Meituan app as the sole entry point to access our bike sharing services.

2. Company Outlook and Strategies for 2019

In 2019, we will continue executing our "Food + Platform" strategy. While maintaining the market leadership of our food delivery business, we also seek to further improve our platform's monetization capabilities, prudently explore new initiatives, and continually enhance the strategic synergies between our new initiatives and our core businesses.

Overall, we strive to further strengthen our self-reinforcing ecosystem with frequent users and merchant base to achieve stronger economy of scale and network effect. We will focus on further growing the number of both Transacting Users and Active Merchants, increasing our Transacting Users' purchase frequency and stickiness, and enhancing our high-frequency users' loyalty to our platform.

For our food delivery business, we will continue to solidify our leading position and market share while maintaining our competitive advantages in operating efficiency and unit economics. To continue to drive growth amid industry structural changes and macroeconomic headwinds, we will further expand food delivery service categories and consumption scenarios and generate more personalized recommendations and targeted promotions to increase our consumers' transaction frequency. We will further diversify merchant supply on our platform, and assist high-quality restaurants to achieve rapid growth and expansion through accelerating their operational digitization, providing supply chain solutions and enhancing brand exposure. Meanwhile, we will further enhance our delivery fulfillment capabilities, improve delivery efficiencies, and continue to invest in research and development of autonomous delivery technologies and explore new delivery models.

For our in-store business, we plan to further improve monetization capabilities by expanding service categories, deepening merchant penetration and increasing the adoption of diversified marketing solutions. In particular, we plan to further increase the penetration of merchants that adopt CPC and subscription-based marketing solutions.

Finally, we will take a more disciplined approach when allocating capital resources for our new initiatives and be more selective in scaling up new initiatives. We will improve the operational efficiencies and significantly narrow the operating losses of both our car-hailing and bike-sharing businesses, and strengthen their strategic synergies with the overall platform. We will continue the development of our RMS and supply chain solutions, focusing on the quality of the merchants that we serve rather than just the volume growth. We will prudently explore the opportunities in new retail area such as non-food delivery.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Fourth Quarter of 2018 Compared to Fourth Quarter of 2017

The following table sets forth the comparative figures for the fourth quarter of 2018 and 2017:

	Unaudited Three Months Ended	
	December 31, 2018	December 31, 2017
	(RMB in thousands)	
Revenues	**19,803,452**	10,475,378
Cost of revenues	**(15,322,458)**	(7,123,869)
Gross profit	**4,480,994**	3,351,509
Selling and marking expenses	**(4,535,051)**	(3,362,229)
Research and development expenses	**(1,981,826)**	(1,149,301)
General and administrative expenses	**(2,846,080)**	(914,441)
Fair value changes on investments measured at fair value through profit or loss	**990,653**	241,006
Other gains, net	**156,792**	302,857
Operating loss	**(3,734,518)**	(1,530,599)
Finance income	**116,427**	36,179
Finance costs	**(15,407)**	(13,200)
Fair value changes of convertible redeemable preferred shares	**—**	(663,781)
Share of losses of investments accounted for using equity method	**(56,875)**	(31,263)
Loss before income tax	**(3,690,373)**	(2,202,664)
Income tax credits	**276,121**	21,846
Loss for the period	**(3,414,252)**	(2,180,818)
Non-IFRS measures:		
Adjusted EBITDA	**(854,601)**	(1,358,685)
Adjusted net loss	**(1,861,856)**	(1,385,447)

Revenues

Our revenues increased by 89.0% to RMB19.8 billion in the three months ended December 31, 2018 from RMB10.5 billion in the same period of 2017. The increase was primarily driven by (i) the increase in Gross Transaction Volume on our platform to RMB138.0 billion in the three months ended December 31, 2018 from RMB104.1 billion in the same period of 2017, which was in turn driven by the increase in the number of Transacting Users and their purchase frequency, and (ii) the increase in monetization rate to 14.3% in the three months ended December 31, 2018 from 10.1% in the same period of 2017.

Revenues by Segment

The following table sets forth our revenues by segment in absolute amount and as a percentage of our total revenues in the three months ended December 31, 2018 and 2017:

	Unaudited Three Months Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Food delivery	**11,006,277**	**55.6%**	6,624,416	63.2%
In-store, hotel & travel	**4,594,132**	**23.2%**	3,103,191	29.6%
New initiatives and others	**4,203,043**	**21.2%**	747,771	7.2%
Total	**19,803,452**	**100.0%**	10,475,378	100.0%

Our revenues from the food delivery segment increased by 66.1% to RMB11.0 billion in the three months ended December 31, 2018 from RMB6.6 billion in the same period of 2017, primarily due to (i) the increase in GTV, which was driven by the increase in the number of food delivery transactions, as a result of the increase in food delivery user base and higher average purchase frequency per user, and (ii) the increase in monetization rate from 11.6% to 13.7%. We saw a revenue decrease of 1.5% compared to three months ended September 30, 2018 due to a slowdown in GTV growth and a dip in monetization rate from 14.0% to 13.7%. Monetization rate dropped slightly quarter over quarter due to the increased subsidy ratio in response to the intensified competition and backdrop of macroeconomic headwinds.

Our revenues from the in-store, hotel & travel segment increased by 48.0% to RMB4.6 billion in the three months ended December 31, 2018 from RMB3.1 billion in the same period of 2017, primarily due to (i) the increase in the number of Active Merchants as well as the average revenue per Active Merchant of our in-store, hotel & travel businesses, and (ii) the increase in the number and the average daily rate of domestic room nights consumed on our platform.

Our revenues from the new initiatives and others segment increased by 462.1% to RMB4.2 billion in the three months ended December 31, 2018 from RMB0.7 billion in the same period of 2017, primarily due to the increase in revenues from sale of products and services to merchants, such as RMS and supply chain solutions businesses, and services to consumers, such as non-food delivery service, pilot car-hailing service and bike-sharing service.

Revenues by Type

The following table sets forth our revenues by type in absolute amount and as a percentage of our total revenues in the three months ended December 31, 2018 and 2017:

	Unaudited Three Months Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Commission	**13,150,122**	**66.4%**	8,548,567	81.6%
Online marketing services	**3,071,073**	**15.5%**	1,488,935	14.2%
Other services and sales	**3,582,257**	**18.1%**	437,876	4.2%
Total	**19,803,452**	**100.0%**	10,475,378	100.0%

Our commission revenue increased by 53.8% to RMB13.2 billion in the three months ended December 31, 2018 from RMB8.5 billion in the same period of 2017, primarily due to the substantial growth of our Gross Transaction Volume, especially from our food delivery business.

Our online marketing services revenue increased by 106.3% to RMB3.1 billion in the three months ended December 31, 2018 from RMB1.5 billion in the same period of 2017, primarily due to the increase in the number of online marketing active merchants, as well as the increase in the average revenue per online marketing active merchant from our in-store, hotel & travel and food delivery businesses.

Our other services and sales revenue increased by 718.1% to RMB3.6 billion in the three months ended December 31, 2018 from RMB0.4 billion in the same period of 2017, primarily due to the expansion of our products and services offerings to both merchants and consumers during the period.

Cost of Revenues

Our cost of revenues increased by 115.1% to RMB15.3 billion in the three months ended December 31, 2018 from RMB7.1 billion in the same period of 2017. The increase was caused by our revenue growth in the three months ended December 31, 2018, especially the strong growth of our food delivery segment, as well as our new initiatives and others segment.

The following table sets forth our cost of revenues by segment in the three months ended December 31, 2018 and 2017:

	Unaudited Three Months Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total cost of revenues**	Amount	As a percentage of total cost of revenues
	(RMB in thousands, except for percentages)			
Cost of revenues:				
Food delivery	**9,534,556**	**62.2%**	6,208,427	87.1%
In-store, hotel & travel	**605,874**	**4.0%**	382,361	5.4%
New initiatives and others	**5,182,028**	**33.8%**	533,081	7.5%
Total	**15,322,458**	**100.0%**	7,123,869	100.0%

Cost of revenues for our food delivery business increased by 53.6% to RMB9.5 billion in the three months ended December 31, 2018 from RMB6.2 billion in the same period of 2017, primarily attributable to the increase in food delivery rider costs as a result of the increase in the number of food deliveries made by us.

Cost of revenues for our in-store, hotel & travel business increased by 58.5% to RMB605.9 million in the three months ended December 31, 2018 from RMB382.4 million in the same period of 2017. The increase was primarily attributable to the increase in payment processing costs and bandwidth and server custody fees, which was generally in line with our revenue growth, and the increase in depreciation of property, plant and equipment.

Cost of revenues for the new initiatives and others business increased to RMB5.2 billion in the three months ended December 31, 2018 from RMB0.5 billion in the same period of 2017, mainly attributable to the increase in cost of goods sold as we expanded our supply chain solutions business, the increase in depreciation of property, plant and equipment as a result of our acquisition of Mobike, the increase in car-hailing driver related costs, and the increase in other outsourcing labor costs due to the expansion of our non-food delivery service.

Gross Profit and Gross Margin

The following table sets forth our gross profit both in absolute amount and as a percentage of revenues, or gross margin, by segment for the periods indicated:

	Unaudited Three Months Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Gross profit/(loss):				
Food delivery	**1,471,721**	**13.4%**	415,989	6.3%
In-store, hotel & travel	**3,988,258**	**86.8%**	2,720,830	87.7%
New initiatives and others	**(978,985)**	**(23.3%)**	214,690	28.7%
Total	**4,480,994**	**22.6%**	3,351,509	32.0%

As a result of the foregoing, our gross profit in the three months ended December 31, 2018 and 2017 was RMB4.5 billion and RMB3.4 billion, respectively. The gross profit margin of food delivery business improved by 7.1% on a year-over-year basis, but decreased by 3.2% compared to the three months ended September 30, 2018, because we provided incentives to some riders in certain regions under tough weather conditions to ensure our food delivery capacity and service quality in the winter season. The gross profit margin of in-store, hotel & travel business decreased by 0.9% on a year-over-year basis and decreased by 3.8% on a quarter-over-quarter basis, mainly because the macroeconomic headwinds had unfavorable impacts on the hotel and travel businesses, which have lowered the gross margin for the segment as whole. The gross margin of our new initiatives and others business turned from positive in three months ended December 31, 2017 to negative in the same period of 2018, while we did achieve an improvement of 14.1% in gross margin on a quarter-over-quarter basis, mainly as a result of us limiting subsidies in the car-hailing business.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB4.5 billion in the three months ended December 31, 2018 from RMB3.4 billion in the same period of 2017, and decreased to 22.9% from 32.1% as a percentage of revenues. The increase in selling and marketing expenses was primarily due to the increase in employee benefits expenses, Transaction User incentives, amortization of intangible assets and rental, facility and utilities. Employee benefits expenses increased to RMB1.4 billion in the three months ended December 31, 2018 from RMB1.0 billion in the same period of 2017 due to our expansion of the selling and marketing teams to support the expansion of our food delivery business and new initiatives and other services. Transacting User incentives increased to RMB1.5 billion in the three months ended December 31, 2018 from RMB1.3 billion in the same period of 2017, as we continued to drive the rapid growth of the food delivery segment and to expand our service offerings to consumers in the new initiatives and others segment.

Research and Development Expenses

Our research and development expenses increased to RMB2.0 billion in the three months ended December 31, 2018 from RMB1.1 billion in the same period of 2017, and decreased to 10.0% from 11.0% as a percentage of revenues. The increase in research and development expenses was primarily due to the increase in employee benefits expenses, including share-based payments, to RMB1.8 billion in the three months ended December 31, 2018 from RMB1.1 billion in the same period of 2017, which resulted from the increase in both headcount and average salaries and benefits of our research and development personnel to support our business growth.

General and Administrative Expenses

Our general and administrative expenses increased to RMB2.8 billion, or 14.4% of revenues in the three months ended December 31, 2018 from RMB0.9 billion, or 8.7% of revenues in the same period of 2017. Excluding the effect of RMB1.3 billion impairment provision of intangible assets resulting from the change in our branding strategy for the bike-sharing services, and RMB132.0 million of the total RMB358.8 million impairment provision for Mobike's overseas restructuring, our general and administrative expenses as a percentage of revenues would have decreased to 6.9% in the three months ended December 31, 2018. Besides the impairment provision, the increase in general and administrative expenses was mainly attributable to (i) the increase in employee benefits expenses to RMB787.9 million in the three months ended December 31, 2018 from RMB594.1 million in the same period of 2017, as a result of the increase in headcount and the average salaries and benefits, including share-based payments, of our administrative personnel, (ii) the increase in provision of doubtful accounts due to the adoption of IFRS 9, and (iii) the increase in rental, facilities and utilities to support the expansion in employee headcount and business operations.

Fair Value Changes on Investments Measured at Fair Value Through Profit or Loss

Our fair value changes on investments measured at fair value through profit or loss in the three months ended December 31, 2018 increased by RMB749.6 million compared to the same period of 2017, primarily due to fair value gain from our investee companies.

Other Gains, Net

Our other gains, net were a gain of RMB156.8 million in the three months ended December 31, 2018 compared to a gain of RMB302.9 million in the same period of 2017. The decrease in other gains, net was primarily due to higher interest income from short-term investments, partially offset by foreign exchange loss in the three months ended December 31, 2018, and a gain of RMB125.6 million recognized for the disposal of certain investments in other gains, net in the three months ended December 31, 2017.

Operating Loss

As a result of the foregoing, our operating loss in the three months ended December 31, 2018 was RMB3.7 billion, compared to an operating loss of RMB1.5 billion in the same period of 2017.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares was nil in the three months ended December 31, 2018 as a result of the completion of our initial public offering in September 2018, compared to a loss of RMB663.8 million in the same period of 2017.

Loss Before Income Tax

Primarily as a result of the foregoing, our loss before income tax in the three months ended December 31, 2018 was RMB3.7 billion, compared to a loss of RMB2.2 billion in the same period of 2017.

Income Tax Credits

We had income tax credits of RMB276.1 million in the three months ended December 31, 2018, compared to income tax credits of RMB21.8 million in the same period of 2017, primarily due to the increase in the recognition of deferred tax assets as we expected certain subsidiaries to make profit and therefore utilize the accumulated losses carried forward.

Loss For the Period

As a result of the foregoing, we had losses of RMB3.4 billion and RMB2.2 billion in the three months ended December 31, 2018 and 2017, respectively.

2. Year ended December 31, 2018 Compared to Year ended December 31, 2017

The following table sets forth the comparative figures for the years ended December 31, 2018 and 2017:

	Year Ended	
	December 31, 2018	December 31, 2017
	(RMB in thousands)	
Revenues	**65,227,278**	33,927,987
Cost of revenues	**(50,122,320)**	(21,708,483)
Gross profit	**15,104,958**	12,219,504
Selling and marking expenses	**(15,871,901)**	(10,908,688)
Research and development expenses	**(7,071,900)**	(3,646,634)
General and administrative expenses	**(5,831,692)**	(2,171,408)
Fair value changes on investments measured at fair value through profit or loss	**1,836,382**	472,874
Other gains, net	**748,356**	208,260
Operating loss	**(11,085,797)**	(3,826,092)
Finance income	**294,047**	60,885
Finance costs	**(44,732)**	(19,214)
Fair value changes of convertible redeemable preferred shares	**(104,606,058)**	(15,138,824)
Share of losses of investments accounted for using equity method	**(48,267)**	(10,418)
Loss before income tax	**(115,490,807)**	(18,933,663)
Income tax expenses	**(1,888)**	(54,218)
Loss for the year	**(115,492,695)**	(18,987,881)
Non-IFRS measures:		
Adjusted EBITDA	**(4,733,831)**	(2,691,811)
Adjusted net loss	**(8,517,188)**	(2,852,716)

Revenues

Our revenues increased by 92.3% to RMB65.2 billion in 2018 from RMB33.9 billion in 2017. The increase was primarily driven by (i) the increase in Gross Transaction Volume on our platform to RMB515.6 billion in 2018 from RMB357.2 billion in 2017, which was in turn driven by the increase in the number of Transacting Users and their purchase frequency, and (ii) the increase in monetization rate to 12.6% in 2018 from 9.5% in 2017.

Revenues by Segment

The following table sets forth our revenues by segment in absolute amount and as a percentage of our total revenues in 2018 and 2017:

	Year Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Food delivery	**38,143,083**	**58.5%**	21,031,933	62.0%
In-store, hotel & travel	**15,840,361**	**24.3%**	10,852,810	32.0%
New initiatives and others	**11,243,834**	**17.2%**	2,043,244	6.0%
Total	**65,227,278**	**100.0%**	33,927,987	100.0%

Our revenues from the food delivery segment increased by 81.4% to RMB38.1 billion in 2018 from RMB21.0 billion in 2017, primarily due to (i) the increase in GTV, which was driven by the increase in the number of food delivery transactions, as a result of the increase in food delivery user base and higher average purchase frequency per user, and (ii) the increase in monetization rate from 12.3% to 13.5%.

Our revenues from the in-store, hotel & travel segment increased by 46.0% to RMB15.8 billion in 2018 from RMB10.9 billion in 2017, primarily due to (i) the increase in the number of Active Merchants as well as the average revenue per Active Merchant of our in-store, hotel & travel businesses, and (ii) the increase in the number and the average daily rate of domestic room nights consumed on our platform.

Our revenues from the new initiatives and others segment increased by 450.3% to RMB11.2 billion in 2018 from RMB2.0 billion in 2017, primarily due to the increase in revenues from sales of products and services to merchants, such as RMS and supply chain solutions businesses, and services to consumers, such as non-food delivery service, pilot car-hailing service and bike-sharing service.

Revenues by Type

The following table sets forth our revenues by type in absolute amount and as a percentage of our total revenues in 2018 and 2017:

	Year Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Revenues:				
Commission	**47,012,249**	**72.1%**	28,009,130	82.6%
Online marketing services	**9,391,406**	**14.4%**	4,701,675	13.9%
Other services and sales	**8,823,623**	**13.5%**	1,217,182	3.5%
Total	**65,227,278**	**100.0%**	33,927,987	100.0%

Our commission revenue increased by 67.8% to RMB47.0 billion in 2018 from RMB28.0 billion in 2017, primarily due to the substantial growth of our Gross Transaction Volume, especially from our food delivery business.

Our online marketing revenue increased by 99.7% to RMB9.4 billion in 2018 from RMB4.7 billion in 2017, primarily due to the increase in the number of online marketing active merchants, as well as the increase in the average revenue per online marketing active merchant from our in-store, hotel & travel and food delivery businesses.

Our other services and sales revenue increased by 624.9% to RMB8.8 billion in 2018 from RMB1.2 billion in 2017, primarily due to the expansion of our products and services offerings to both merchants and consumers during the year.

Cost of Revenues

Our cost of revenues increased by 130.9% to RMB50.1 billion in 2018 from RMB21.7 billion in 2017. The increase was caused by our revenue growth in 2018, especially the strong growth of our food delivery segment, as well as our new initiatives and others segment.

The following table sets forth our cost of revenues by segment in 2018 and 2017:

	Year Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total cost of revenues**	Amount	As a percentage of total cost of revenues
	(RMB in thousands, except for percentages)			
Cost of revenues:				
Food delivery	**32,874,886**	**65.6%**	19,332,514	89.1%
In-store, hotel & travel	**1,745,006**	**3.5%**	1,273,331	5.9%
New initiatives and others	**15,502,428**	**30.9%**	1,102,638	5.0%
Total	**50,122,320**	**100.0%**	21,708,483	100.0%

Cost of revenues for our food delivery business increased by 70.0% to RMB32.9 billion in 2018 from RMB19.3 billion in 2017, primarily attributable to the increase in food delivery rider costs as a result of the increase in the number of food deliveries made by us.

Cost of revenues for our in-store, hotel & travel business increased by 37.0% to RMB1.7 billion in 2018 from RMB1.3 billion in 2017. The increase was primarily attributable to the increase in payment processing costs and bandwidth and server custody fees, which was generally in line with our revenue growth, and the increase in depreciation of property, plant and equipment and other outsourcing labor costs.

Cost of revenues for the new initiatives and others business increased to RMB15.5 billion in 2018 from RMB1.1 billion in 2017, mainly attributable to the increase in car-hailing driver related costs, depreciation of property, plant and equipment primarily as a result of our acquisition of Mobike, cost of goods sold as we expanded our supply chain solutions business, and other outsourcing labor costs due to expansion of our non-food delivery service.

Gross Profit and Gross Margin

The following table sets forth our gross profit both in absolute amount and as a percentage of revenues, or gross margin, by segment in 2018 and 2017:

	Year Ended			
	December 31, 2018		December 31, 2017	
	Amount	**As a percentage of total revenues**	Amount	As a percentage of total revenues
	(RMB in thousands, except for percentages)			
Gross profit/(loss):				
Food delivery	**5,268,197**	**13.8%**	1,699,419	8.1%
In-store, hotel & travel	**14,095,355**	**89.0%**	9,579,479	88.3%
New initiatives and others	**(4,258,594)**	**(37.9%)**	940,606	46.0%
Total	**15,104,958**	**23.2%**	12,219,504	36.0%

As a result of the foregoing, our gross profit in 2018 and 2017 was RMB15.1 billion and RMB12.2 billion, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses increased to RMB15.9 billion in 2018 from RMB10.9 billion in 2017, and decreased to 24.3% from 32.2% as a percentage of revenues. The increase in selling and marketing expenses was primarily due to the increase in employee benefits expenses, Transaction User incentives, promotion and advertising expenses and amortization of intangible assets. Employee benefits expenses increased to RMB5.1 billion in 2018 from RMB3.5 billion in 2017 due to our expansion of the selling and marketing teams to support the expansion of our food delivery business and new initiatives and other services. Transacting User incentives increased to RMB5.4 billion in 2018 from RMB4.2 billion in 2017, as we continued to drive the rapid growth of the food delivery segment and to expand our service offerings to consumers in the new initiatives and others segment. Promotion and advertising expenses increased to RMB3.3 billion in 2018 from RMB2.3 billion in 2017, primarily due to our increased spending in marketing and branding campaigns to drive growth in active users.

Research and Development Expenses

Our research and development expenses increased to RMB7.1 billion, or 10.8% of revenues in 2018 from RMB3.6 billion, or 10.7% of revenues in 2017, primarily due to the increase in employee benefits expenses, including share-based payments, to RMB6.6 billion in 2018 from RMB3.4 billion in 2017, which resulted from the increase in both headcount and average salaries and benefits of our research and development personnel to support our business growth.

General and Administrative Expenses

Our general and administrative expenses increased to RMB5.8 billion, or 8.9% of revenues in 2018 from RMB2.2 billion, or 6.4% of revenues in 2017. Excluding the effect of RMB1.3 billion impairment provision of intangible assets resulting from the change in our branding strategy for the bike-sharing services, and RMB132.0 million of the total RMB358.8 million impairment provision for Mobike's overseas restructuring, our general and administrative expenses as a percentage of revenues would have increased to 6.7% in 2018. Besides the impairment provision, the increase in general and administrative expenses was mainly attributable to (i) the increase in employee benefits expenses to RMB2.5 billion in 2018 from RMB1.3 billion in 2017, as a result of the increase in headcount and the average salaries and benefits, including share-based payments, of our administrative personnel, (ii) the increase in provision of doubtful accounts due to the adoption of IFRS 9 and expansion of our micro loan business, and (iii) the increase in rental, facilities and utilities to support the expansion in employee headcount and business operations.

Fair Value Changes on Investments Measured at Fair Value Through Profit or Loss

Our fair value changes on investments measured at fair value through profit or loss in 2018 increased by RMB1.4 billion compared to 2017, primarily due to fair value gain from our investee companies.

Other Gains, Net

Our other gains, net were a gain of RMB748.4 million in 2018 compared to a gain of RMB208.3 million in 2017, primarily due to the increase in interest income from short-term investments as well as government subsidies. In 2017, a loss of RMB366.7 million was recognized for the disposal of certain investments in other gains, net.

Operating Loss

As a result of the foregoing, our operating loss in 2018 was RMB11.1 billion, compared to an operating loss of RMB3.8 billion in 2017.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares increased to a loss of RMB104.6 billion in 2018 from a loss of RMB15.1 billion in 2017, resulting from significant increase in the valuation of our Company, which was determined by the offering price of the Company's Shares in our initial public offering in September 2018.

Loss Before Income Tax

Primarily as a result of the foregoing, our loss before income tax in 2018 was RMB115.5 billion, compared to a loss of RMB18.9 billion in 2017.

Income Tax Expenses

We had income tax expenses of RMB1.9 million in 2018, compared to income tax expenses of RMB54.2 million in 2017, primarily due to the increase in the recognition of deferred tax assets as we expected certain subsidiaries to make profit and therefore utilize the accumulated losses carried forward.

Loss For the Year

As a result of the foregoing, we had losses of RMB115.5 billion and RMB19.0 billion in 2018 and 2017, respectively.

Important Events after Reporting Date

There were no important events affecting the Company and its subsidiaries which occurred after December 31, 2018 and up to the date of this announcement.

3. Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

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

The following tables set forth the reconciliations of our non-IFRS financial measures for the three months ended December 31, 2018 and 2017, and the years ended December 31, 2018 and 2017, to the nearest measures prepared in accordance with IFRS.

	Unaudited Three Months Ended	
	December 31, 2018	December 31, 2017
	(RMB in thousands)	
Operating Loss	**(3,734,518)**	(1,530,599)
Add:		
Fair value changes on investments measured at fair value through profit or loss	**(990,653)**	(241,006)
Other gains, net	**(156,792)**	(302,857)
Depreciation of property, plant and equipment	**1,361,812**	104,320
Amortization of intangible assets	**317,537**	151,460
Share-based compensation expenses	**643,223**	459,997
Impairment and expense provision for Mobike restructuring plan	**358,790**	—
Impairment of intangible assets *	**1,346,000**	—
Adjusted EBITDA	**(854,601)**	(1,358,685)
Loss for the period	**(3,414,252)**	(2,180,818)
Add:		
Fair value changes of convertible redeemable preferred shares	**—**	663,781
Share-based compensation expenses	**643,223**	459,997
Fair value gains on investments **	**(984,359)**	(285,684)
Gains on disposal of investments and subsidiaries ***	**—**	(124,384)
Amortization of intangible assets resulting from acquisitions	**188,742**	81,661
Impairment and expense provision for Mobike restructuring plan	**358,790**	—
Impairment of intangible assets *	**1,346,000**	—
Adjusted net loss	**(1,861,856)**	(1,385,447)

* Represents impairment provision of intangible assets resulting from the change in the branding strategy for our bike-sharing services.

** Represents gains or losses from fair value change on investments, including (i) fair value changes on investments measured at fair value through profit or loss; (ii) dilution gain; (iii) change in fair value from contingent consideration; and (iv) change in fair value from put and call option for Maoyan.

*** Represents gains or losses from disposal of investments and subsidiaries.

	Year Ended	
	December 31, 2018	December 31, 2017
	(RMB in thousands)	
Operating Loss	**(11,085,797)**	(3,826,092)
Add:		
Fair value changes on investments measured at fair value through profit or loss	**(1,836,382)**	(472,874)
Other gains, net	**(748,356)**	(208,260)
Depreciation of property, plant and equipment	**4,252,292**	327,696
Amortization of intangible assets	**1,114,509**	516,619
Share-based compensation expenses	**1,865,113**	971,100
Impairment and expense provision for Mobike restructuring plan	**358,790**	—
Impairment of intangible assets *	**1,346,000**	—
Adjusted EBITDA	**(4,733,831)**	(2,691,811)
Loss for the year	**(115,492,695)**	(18,987,881)
Add:		
Fair value changes of convertible redeemable preferred shares	**104,606,058**	15,138,824
Share-based compensation expenses	**1,865,113**	971,100
Fair value gains on investments **	**(1,834,296)**	(541,731)
(Gains)/losses on disposal of investments and subsidiaries ***	**(29,426)**	241,097
Amortization of intangible assets resulting from acquisitions	**663,268**	325,875
Impairment and expense provision for Mobike restructuring plan	**358,790**	—
Impairment of intangible assets *	**1,346,000**	—
Adjusted net loss	**(8,517,188)**	(2,852,716)

* Represents impairment provision of intangible assets resulting from the change in the branding strategy for our bike-sharing services.

** Represents gains or losses from fair value change on investments, including (i) fair value changes on investments measured at fair value through profit or loss; (ii) dilution gain; (iii) change in fair value from contingent consideration; and (iv) change in fair value from put and call option for Maoyan.

*** Represents gains or losses from disposal of investments and subsidiaries.

4. Liquidity and Capital Resources

We had historically funded our cash requirements principally from capital contribution from shareholders and financing through issuance and sale of equity securities. We had cash and cash equivalents of RMB17.0 billion and short-term investments of RMB41.8 billion as of December 31, 2018, compared to the balance of RMB19.4 billion and RMB25.8 billion as of December 31, 2017.

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

	Year Ended	
	December 31, 2018	December 31, 2017
	(RMB in thousands)	
Net cash used in operating activities	**(9,179,818)**	(310,200)
Net cash used in investing activities	**(23,438,686)**	(15,157,090)
Net cash generated from financing activities	**29,295,294**	25,507,781
Net (decrease)/increase in cash and cash equivalents	**(3,323,210)**	10,040,491
Cash and cash equivalents at the beginning of the year	**19,408,839**	9,376,575
Exchange gain/(loss) on cash and cash equivalents	**1,009,587**	(8,227)
Cash and cash equivalents included in the assets classified as held for sale	**(51,524)**	—
Cash and cash equivalents at the end of the year	**17,043,692**	19,408,839

Net Cash Used in Operating Activities

Net cash used in operating activities primarily consists of our loss for the year and non-cash items, such as depreciation and amortization, fair value changes of convertible redeemable preferred shares, and adjusted by changes in working capital.

For the year ended December 31, 2018, net cash used in operating activities was RMB9.2 billion, which was primarily attributable to our loss before income tax of RMB115.5 billion, as adjusted by (i) non-cash items, which primarily comprised fair value changes of convertible redeemable preferred shares of RMB104.6 billion and depreciation and amortization of RMB5.4 billion, and (ii) changes in working capital, which primarily comprised a decrease in deposit from transacting users of RMB4.8 billion, an increase in prepayments, deposits and other assets of RMB3.7 billion, an increase in trade payables of RMB2.1 billion, a decrease in payables to merchants of RMB1.8 billion, and a decrease in restricted cash of RMB0.6 billion.

Net Cash Used in Investing Activities

For the year ended December 31, 2018, net cash used in investing activities was RMB23.4 billion, which was mainly attributable to purchase of short-term investments of RMB91.2 billion and payments for business combinations, net of cash acquired of RMB7.3 billion, purchase of property, plant and equipment of RMB2.2 billion, and purchase of investments measured at fair value through profit or loss of RMB1.6 billion, partially offset by proceeds from disposals of short-term investments of RMB75.2 billion, and proceeds from disposal of investments measured at fair value through profit or loss of RMB2.6 billion.

Net Cash Generated from Financing Activities

For the year ended December 31, 2018, net cash generated from financing activities was RMB29.3 billion, which was mainly attributable to proceeds from issuance of ordinary shares.

Gearing ratio

As of December 31, 2018, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company was approximately 2.6%.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	Year ended December 31, 2018	2017
		(RMB in thousands)	
Revenues	3	**65,227,278**	33,927,987
Cost of revenues	3 & 4	**(50,122,320)**	(21,708,483)
Gross profit		**15,104,958**	12,219,504
Selling and marketing expenses	4	**(15,871,901)**	(10,908,688)
Research and development expenses	4	**(7,071,900)**	(3,646,634)
General and administrative expenses	4	**(5,831,692)**	(2,171,408)
Fair value changes on investments measured at fair value through profit or loss		**1,836,382**	472,874
Other gains, net	5	**748,356**	208,260
Operating loss		**(11,085,797)**	(3,826,092)
Finance income		**294,047**	60,885
Finance costs		**(44,732)**	(19,214)
Fair value changes of convertible redeemable preferred shares		**(104,606,058)**	(15,138,824)
Share of losses of investments accounted for using equity method		**(48,267)**	(10,418)
Loss before income tax		**(115,490,807)**	(18,933,663)
Income tax expenses	7	**(1,888)**	(54,218)
Loss for the year		**(115,492,695)**	(18,987,881)
Loss for the year attributable to:			
Equity holders of the Company		**(115,477,171)**	(18,916,617)
Non-controlling interests		**(15,524)**	(71,264)
		(115,492,695)	(18,987,881)
		RMB	RMB
Loss per share for loss for the year attributable to the equity holders of the Company			
Basic and diluted loss per share	6	**(42.40)**	(12.37)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	**Year ended December 31,**	
		2018	2017
		(RMB in thousands)	
Other comprehensive (loss)/income:			
Items that may not be reclassified to profit or loss			
Currency translation differences		**(7,617,689)**	3,429,486
Preferred shares fair value change due to own credit risk		**(186,013)**	—
Other comprehensive (loss)/income for the year, net of tax		**(7,803,702)**	3,429,486
Total comprehensive loss for the year		**(123,296,397)**	(15,558,395)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(123,281,091)**	(15,487,131)
Non-controlling interests		**(15,306)**	(71,264)
		(123,296,397)	(15,558,395)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

	Note	As of December 31, 2018	2017
		(RMB in thousands)	
ASSETS			
Non-current assets			
Property, plant and equipment	9	**3,978,815**	915,682
Intangible assets	10	**33,876,004**	19,852,974
Deferred tax assets		**445,041**	243,263
Investments accounted for using the equity method		**2,103,403**	1,952,175
Financial assets at fair value through profit or loss	8	**6,241,972**	5,919,594
Prepayments, deposits and other assets		**866,884**	312,340
		47,512,119	29,196,028
Current assets			
Inventories		**400,244**	88,374
Trade receivables	11	**466,340**	432,494
Financial assets at fair value through profit or loss	8	**—**	25,099
Prepayments, deposits and other assets		**9,064,945**	4,186,391
Short-term investments		**41,829,964**	25,838,177
Restricted cash		**4,256,120**	4,458,761
Cash and cash equivalents		**17,043,692**	19,408,839
Assets classified as held for sale		**88,087**	—
		73,149,392	54,438,135
Total assets		**120,661,511**	83,634,163
EQUITY			
Share capital		**384**	98
Share premium		**258,284,687**	9,338,529
Other reserves		**(5,741,347)**	466,103
Accumulated losses		**(166,039,390)**	(50,363,846)
Equity attributable to equity holders of the Company		**86,504,334**	(40,559,116)
Non-controlling interests		**5,438**	57,734
Total equity		**86,509,772**	(40,501,382)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) AS OF DECEMBER 31, 2018

	Note	As of December 31,	
		2018	2017
		(RMB in thousands)	
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**1,195,869**	1,050,119
Deferred revenues	12	**624,999**	833,500
Borrowings		**470,056**	—
Convertible redeemable preferred shares	14	**—**	101,418,292
Other non-current liabilities		**35,759**	316,264
		2,326,683	103,618,175
Current liabilities			
Trade payables	13	**5,340,963**	2,666,799
Payables to merchants		**7,596,388**	9,363,873
Advance from transacting users		**3,226,407**	2,290,160
Other payables and accruals		**7,361,630**	3,920,323
Borrowings		**1,800,000**	162,000
Deferred revenues	12	**3,102,882**	2,114,215
Deposit from transacting users		**3,341,276**	—
Liabilities directly associated with assets classified as held for sale		**55,510**	—
		31,825,056	20,517,370
Total liabilities		**34,151,739**	124,135,545
Total equity and liabilities		**120,661,511**	83,634,163

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total
		Share capital	Share premium	Other reserves	Accumulated losses	Sub-total		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2018		98	9,338,529	466,103	(50,363,846)	(40,559,116)	57,734	(40,501,382)
Adjustment on adoption of IFRS 9, net of tax		—	—	(423,731)	411,371	(12,360)	—	(12,360)
As of January 1, 2018		98	9,338,529	42,372	(49,952,475)	(40,571,476)	57,734	(40,513,742)
Comprehensive loss								
Loss for the year		—	—	—	(115,477,171)	(115,477,171)	(15,524)	(115,492,695)
Other comprehensive loss								
Items that may not be classified to profits or loss								
Preferred shares fair value change due to own credit risk		—	—	(186,013)	—	(186,013)	—	(186,013)
Currency translation differences		—	—	(7,617,907)	—	(7,617,907)	218	(7,617,689)
Total comprehensive loss		—	—	(7,803,920)	(115,477,171)	(123,281,091)	(15,306)	(123,296,397)
Transaction with owners in their capacity as owners								
Issue of shares		283	248,944,408	609,744	(609,744)	248,944,691	—	248,944,691
Business combination	15	—	—	231,736	—	231,736	—	231,736
Repurchase of ordinary shares		(2)	(811,142)	—	—	(811,144)	—	(811,144)
Share-based compensation expenses		—	—	1,816,453	—	1,816,453	—	1,816,453
Exercise of option and RSU vesting		5	842,199	(685,701)	—	156,503	—	156,503
Cancellation of ordinary shares		—	(29,307)	—	—	(29,307)	—	(29,307)
Dividends		—	—	—	—	—	(4,000)	(4,000)
Transaction with non-controlling interests		—	—	47,969	—	47,969	(32,990)	14,979
Total transaction with owners in their capacity as owners		286	248,946,158	2,020,201	(609,744)	250,356,901	(36,990)	250,319,911
As of December 31, 2018		384	258,284,687	(5,741,347)	(166,039,390)	86,504,334	5,438	86,509,772

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	Attributable to equity holders of the Company						
		Share capital	Share premium	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2017		93	8,567,622	(2,742,872)	(31,447,229)	(25,622,386)	47,035	(25,575,351)
Comprehensive loss								
Loss for the year		—	—	—	(18,916,617)	(18,916,617)	(71,264)	(18,987,881)
Other comprehensive loss								
Items that may not be classified to profit or loss								
Currency translation differences		—	—	3,429,486	—	3,429,486	—	3,429,486
Total comprehensive loss		—	—	3,429,486	(18,916,617)	(15,487,131)	(71,264)	(15,558,395)
Transaction with owners in their capacity as owners								
Business combinations		—	—	—	—	—	12,948	12,948
Repurchase of ordinary shares		(1)	(526,738)	—	—	(526,739)	—	(526,739)
Share-based compensation expenses		—	—	746,465	—	746,465	—	746,465
Exercise of option and RSU vesting		6	1,297,645	(1,070,615)	—	227,036	—	227,036
Share of equity movement in an associate		—	—	82,829	—	82,829	—	82,829
Disposal of a subsidiary		—	—	—	—	—	1,363	1,363
Transaction with non-controlling interests		—	—	20,810	—	20,810	67,652	88,462
Total transaction with owners in their capacity as owners		5	770,907	(220,511)	—	550,401	81,963	632,364
As of December 31, 2017		98	9,338,529	466,103	(50,363,846)	(40,559,116)	57,734	(40,501,382)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	Year ended December 31,	
	2018	2017
	(RMB in thousands)	
Net cash flows used in operating activities	**(9,179,818)**	(310,200)
Net cash flows used in investing activities	**(23,438,686)**	(15,157,090)
Net cash flows generated from financing activities	**29,295,294**	25,507,781
Net (decrease)/increase in cash and cash equivalents	**(3,323,210)**	10,040,491
Cash and cash equivalents at the beginning of the year	**19,408,839**	9,376,575
Exchange gain/(loss) on cash and cash equivalents	**1,009,587**	(8,227)
Cash and cash equivalents included in the assets classified as held for sale	**(51,524)**	—
Cash and cash equivalents at the end of the year	**17,043,692**	19,408,839

NOTES TO THE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

1 General information, basis of preparation and presentation

The Company was incorporated in the Cayman Islands on September 25, 2015 as an exempted company with limited liability. The Company's shares have been listed on the Main Board of the Hong Kong Stock Exchange since September 20, 2018 (the "Listing").

The Company provides platform which uses technology to connect consumers and merchants and offer diversified daily services, including food delivery, in-store dining, hotel and travel booking and other services.

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

2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

The Company has applied IFRS 9 Financial Instruments for the first time commencing January 1, 2018.

IFRS 9 replaces the provisions of IAS 39 Financial Instruments ("IAS39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments — Disclosures. The accounting policies were changed to comply with IFRS 9.

In accordance with the transitional provision in IFRS 9, comparative figures have not been restated. Any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings and other reserve.

(i) Classification and measurement of financial instruments

The total impact on the Company's accumulated losses due to classification and measurement of financial instruments as at January 1, 2018 is as follows:

	Note	(RMB in thousands)
Opening accumulated losses — IAS 39		50,363,846
Increase in provision for loan receivables, net of tax	(ii)	12,360
Increase in provision for trade receivables, net of tax	(ii)	—
Increase in provision for prepayments, deposits and other assets (excluding tax prepayments and loan receivables), net of tax	(ii)	—
Reclassify preferred shares fair value change due to own credit risk from accumulated losses to other comprehensive income		(423,731)
Opening accumulated losses — IFRS 9		49,952,475

We have assessed the business models and the contractual terms of the cash flows applying to the financial assets held by the Company at the date of initial application of IFRS 9 (January 1, 2018) and has classified its financial instruments into the appropriate IFRS 9 categories. According to the classification, the Company's financial assets measured at fair value through profit or loss (FVPL) or amortized cost under IAS 39 continues to be measured on the same basis under IFRS 9.

(ii) Impairment of financial assets

The Company has three types of financial assets at amortized cost subject to IFRS 9's new expected credit loss model:

- loan receivables

- trade receivables

- prepayments, deposits and other assets (excluding tax prepayments and loan receivables)

The Company revised its impairment methodology under IFRS 9 for each of these classes of assets. Although cash and cash equivalents, restricted cash and short-term investments measured at amortized costs are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

- Loan receivables

  For loan receivables outstanding at January 1, 2018, adjustments of RMB12 million of provisions for loan receivables were recognized in the opening accumulated losses.

- Trade receivables

  For trade receivables, the Company applies the simplified approach to measure expected credit losses('ECL') prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The impact is not material applying the ECL model for those trade receivables as of January 1, 2018.

- Prepayments, deposits and other assets (excluding tax prepayments and loan receivables)

  For prepayments, deposits and other assets (excluding tax prepayments and loan receivables) already in place at January 1, 2018, the Company applies a three stage approach to measure ECL prescribed by IFRS 9. The impact is not material applying the ECL model for those other receivables as of January 1, 2018.

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

A number of new standards and amendments to existing standards have been issued but are not yet effective for the financial year beginning January 1, 2018, and have not been early adopted by the Company's management. The Company is in the process of assessing potential impact of those new standards and amendments to standards that is relevant to the Company upon initial application. According to the preliminary assessment made by management, we do not anticipate any significant impact on the Company's financial positions and results of operations upon adopting the above new standards amendments to existing standards, except for set out below.

The Company will apply IFRS 16 "Leases" prospectively since January 1, 2019. IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The Company is a lessee of various properties which are currently classified as operating leases. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the balance sheet. Instead, almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Company's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation.

We have set up a project team which has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases.

As of December 31, 2018, the Company has non-cancellable operating lease commitments of RMB2,111.5 million.

The Company expects to recognize right-of-use assets of approximately RMB2,021.2 million on January 1, 2019, lease liabilities of RMB1,846.7 million (after adjustments for prepayments and accrued lease payments recognized as of December 31, 2018).

Operating cash flows will increase and financing cash flows will decrease by approximately RMB611.7 million as repayment of the lease liabilities will be classified as cash flows from financing activitieis.

The Company's activities as a lessor are not material and hence the Company does not expect any significant impact on the financial statement. However, some additional disclosures will be required from next year.

3 Segment information

The segment information provided to the Company's CODM for the reportable segments for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018			
	Food delivery	**In-store, hotel & travel**	**New initiatives and others**	**Total**
	(RMB in thousands, except for percentages)			
Commission	35,719,208	9,042,303	2,250,738	47,012,249
Online marketing services	2,334,999	6,734,901	321,506	9,391,406
Other services and sales	88,876	63,157	8,671,590	8,823,623
Revenues in total	38,143,083	15,840,361	11,243,834	65,227,278
Cost of revenues	(32,874,886)	(1,745,006)	(15,502,428)	(50,122,320)
Gross profit/(loss)	5,268,197	14,095,355	(4,258,594)	15,104,958
Gross margin	13.8%	89.0%	(37.9%)	23.2%

	Year ended December 31, 2017			
	Food delivery	**In-store, hotel & travel**	**New initiatives and others**	**Total**
	(RMB in thousands, except for percentages)			
Commission	20,283,964	7,135,970	589,196	28,009,130
Online marketing services	710,203	3,649,996	341,476	4,701,675
Other services and sales	37,766	66,844	1,112,572	1,217,182
Revenues in total	21,031,933	10,852,810	2,043,244	33,927,987
Cost of revenues	(19,332,514)	(1,273,331)	(1,102,638)	(21,708,483)
Gross profit	1,699,419	9,579,479	940,606	12,219,504
Gross margin	8.1%	88.3%	46.0%	36.0%

4 Expenses by nature

	Year ended December 31,	
	2018	2017
	(RMB in thousands)	
Food delivery rider costs	**30,516,055**	18,324,065
Employee benefits expenses	**15,226,535**	8,650,917
Transacting user incentives	**5,400,781**	4,208,921
Car-hailing driver related costs	**4,463,320**	293,306
Depreciation of property, plant and equipment	**4,252,292**	327,696
Promotion and advertising	**3,272,934**	2,277,969
Cost of goods sold	**3,133,770**	301,010
Other outsourcing labor costs	**2,087,398**	126,434
Payment processing costs	**1,524,853**	1,023,889
Impairment provision on Mobike tradename (Note i)	**1,346,000**	—
Amortization of intangible assets	**1,114,509**	516,619
Rental, facility and utilities	**970,058**	410,997
Bandwidth and server custody fees	**484,494**	265,177
Impairment provision and restructuring expense for Mobike restructuring plan (Note ii)	**358,790**	—
Professional fees	**340,714**	174,368
Provision for doubtful accounts	**285,655**	64,371
Online traffic costs	**215,215**	189,680
Tax surcharge expenses	**215,178**	216,208
Auditor's remuneration		
– Audit and audit-related services	**48,770**	25,718
– Non-audit services	**3,899**	—
Others (Note iii)	**3,636,593**	1,037,868
Total cost of revenues, selling and marketing expenses, research and development expenses and general and administrative expenses	**78,897,813**	38,435,213

(i) Impairment loss has been recognized on Mobike tradename based on management's further business plan change.

(ii) Impairment provision and restructuring expense has been recognized due to Mobike oversea entities restructuring plan. The plan includes the sale or abandonment of the selected entities in 2019. Thereof, the assets and liabilities of certain entities to be sold out, have been reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale.

(iii) Others mainly comprise travelling and entertainment expenses, message and verification fees, bike reallocation fees and bike maintenance fees.

5 Other gains, net

	Year ended December 31,	
	2018	2017
	(RMB in thousands)	
Fair value changes of short-term investments measured at fair value through profit or loss	**306,954**	329,348
Interest income from short-term investments measured at amortized cost	**226,114**	17,027
Gains/(losses) from the disposal of investments	**29,426**	(144,482)
Gains from the disposal of subsidiaries	**—**	125,649
Dilution (loss)/gain	**(6,294)**	104,758
Change in fair value from contingent consideration	**4,208**	25,099
Foreign exchange loss, net	**(1,485)**	(7,819)
Government subsidies	**198,762**	45,585
Losses from the cancellation of put and call option for Maoyan	**—**	(222,264)
Change in fair value from put and call option for Maoyan	**—**	(61,000)
Others	**(9,329)**	(3,641)
	748,356	208,260

6 Loss per share

(a) Basic loss per share for the years ended December 31, 2018 and 2017 were calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,	
	2018	2017
Loss attributable to equity holders of the Company (RMB'000)	**(115,477,171)**	(18,916,617)
Weighted average number of shares in issue (thousand)	**2,723,795**	1,528,826
Loss per share	**(42.40)**	(12.37)

(b) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: Preferred Shares, share options and RSUs. As we incurred losses for the years ended December 31, 2018 and 2017, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the years ended December 31, 2018 and 2017 were the same as basic loss per share of the respective years.

7 Income tax expenses

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2018 and 2017.

China

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

Certain PRC subsidiaries of the Company that qualify as "high and new technology enterprises" under the EIT Law, and accordingly, are entitled to a preferential enterprise income tax rate of 15% for three years. In addition, certain PRC subsidiaries have registered as a software enterprise and are entitled to a two-year enterprise income tax exemption and a three-year preferential enterprise income tax rate of 12.5%. As a result, such PRC subsidiaries were eligible for a preferential enterprise income tax rate for their respective tax holiday.

Our remaining PRC entities were subject to enterprise income tax at a rate of 25% in 2018. Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied. For the years ended December 31, 2018 and 2017, we incurred accumulated net operating losses and did not have any profit distribution plan.

The income tax expenses were as followings:

	Year ended December 31,	
	2018	2017
	(RMB in thousands)	
Current income tax expenses	**(251,390)**	(18,560)
Deferred income tax credits/(expenses)	**249,502**	(35,658)
	(1,888)	(54,218)

8 Financial assets at fair value through profit or loss

We made investments in certain convertible redeemable preferred shares or ordinary shares with preferential rights issued by the investee companies. We maintained significant influence in these companies. We also have interests in certain investee companies in the form of ordinary shares without significant influence, which are managed and their performance are evaluated on a fair value basis. We designated the whole instruments as financial assets at fair value through profit or loss.

Contingent consideration represents consideration adjustment made at a subsequent closing in connection with our acquisition of Qiandaibao in 2016.

The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,	
	2018	2017
	(RMB in thousands)	
Non-current:		
Investments at fair value through profit or loss	**6,241,972**	5,919,594
Current:		
Contingent consideration	**—**	25,099
	6,241,972	5,944,693

Our financial assets at fair value through profit or loss increased by 5.0% from RMB5.9 billion as of December 31, 2017 to RMB6.2 billion as of December 31, 2018 primarily due to increased investments of RMB3.5 billion and disposed investments of RMB3.2 billion in private investee companies.

9 Property, plant and equipment

Our property, plant and equipment primarily consist of bikes and vehicles, computer equipment, furniture and appliances, leasehold improvements and assets under construction. Our property, plant and equipment increased by 334.5% from RMB0.9 billion as of December 31, 2017 to RMB4.0 billion as of December 31, 2018, primarily due to the increase in the carrying value of bikes and vehicles in connection with our acquisition of Mobike.

10 Intangible assets

Our intangible assets primarily consist of trade name, user generated content, software and others, online payment licenses, technology and licenses, user list, supplier relationship and goodwill. The following table sets forth a breakdown of our intangible assets as the dates indicated:

	As of December 31,	
	2018	2017
	(RMB in thousands)	
Trade name	**3,093,225**	3,095,645
User generated content	**171,500**	269,500
Software and others	**1,213,550**	1,120,726
Online payment license	**327,167**	353,167
Technology and licenses	**606,418**	82,310
User list	**737,384**	36,850
Supplier relationship	**21,159**	25,179
Goodwill	**27,705,601**	14,869,597
Total	**33,876,004**	19,852,974

Our intangible assets increased by 70.6% from RMB19.9 billion as of December 31, 2017 to RMB33.9 billion as of December 31, 2018, primarily as a result of our acquisition of Mobike. Impairment loss has been recognised on Mobike trade name based on the Company's further business plan change. The remaining balance amounted to RMB 134 million of Mobike trade name would be amortized in the period of 3 years after 2018 year end.

11 Trade receivables

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

	As of December 31,	
	2018	2017
	(RMB in thousands)	
Trade receivables	**590,409**	461,955
Less: allowance for impairment	**(124,069)**	(29,461)
	466,340	432,494

As of December 31, 2017, receivables with amounts that are individually significant have been separately assessed for impairment. Allowance was set up against impaired receivables arising from credit default of several customers who are in financial difficulties.

Since January 1, 2018, we have applied the simplified approach permitted by IFRS 9, which requires the expected lifetime losses to be recognised from initial recognition of the assets. This provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

We allow a credit period of 90 to 150 days to our customers. Aging analysis of trade receivables (net of allowance for impairment of trade receivables) based on invoice date was as follows:

	As of December 31,	
	2018	2017
	(RMB in thousands)	
Trade receivables		
Up to three months	**281,353**	283,649
Three to six months	**126,376**	84,428
Six months to one year	**56,574**	56,958
Over one year	**2,037**	7,459
Total	**466,340**	432,494

12 Deferred revenues

Deferred revenues represent online marketing services in advance of the contract service period and advance payments received in connection with the business cooperation agreements with our strategic partners. The following table sets forth our deferred revenues as of the dates indicated:

	As of December 31,	
	2018	2017
	(RMB in thousands)	
Non-Current:		
Business cooperation agreement with Maoyan	**611,233**	833,500
Others	**13,766**	—
	624,999	833,500
Current:		
Online marketing services	**2,856,343**	1,891,948
Business cooperation agreement with Maoyan	**222,267**	222,267
Mobike monthly pass	**24,221**	—
Others	**51**	—
	3,102,882	2,114,215
	3,727,881	2,947,715

Our deferred revenues increased by 26.5% from RMB2.9 billion as of December 31, 2017 to RMB3.7 billion as of December 31, 2018, primarily due to the growth of our online marketing services.

13 Trade payables

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

	As of December 31,	
	2018	2017
	(RMB in thousands)	
Trade payables	**5,340,963**	2,666,799

As of December 31, 2018 and 2017, the aging analysis of the trade payables based on invoice date was as follows:

	As of December 31,	
	2018	2017
	(RMB in thousands)	
Trade payables		
Up to 3 months	**5,067,050**	1,995,402
3 to 6 months	**168,162**	662,168
6 months to 1 year	**102,764**	2,523
Over 1 year	**2,987**	6,706
	5,340,963	2,666,799

Our trade payables increased by 100.3% from RMB2.7 billion as of December 31, 2017 to RMB5.3 billion as of December 31, 2018, primarily due to the growth of our business, which resulted in higher balance of trade payables.

14 Convertible redeemable preferred shares

On October 6, 2015, we issued a total of 1,954,217,809 shares of Series A-1 through A-11 Preferred Shares.

In November 2015, we issued Series B Preferred Shares at an issue price of USD3.86 per share. Series B Preferred Shares were continuously issued beginning from November 2015 to August 2016 and total 801,039,606 shares were issued.

In October 2017, we issued Series C Preferred Shares at an issue price of USD5.59 per share. Total of 733,575,936 shares were issued.

In April 2018, we issued 167,703,791 shares of Series A-12 Preferred Shares in connection with the acquisition of Mobike. Upon issuance of Series A-12 Preferred shares, a total of 2,121,921,600 shares were issued (Series A-1 through A-12, "Series A Preferred Shares").

After the completion of the Global Offering, all of our convertible redeemable preferred shares were converted to our Class B Shares. The fair value of each of convertible redeemable preferred shares was equivalent to the fair value of each of our ordinary shares on the conversion date, which was the Offer Price in the Global Offering.

The movements of the convertible redeemable preferred share are set out as below:

	(RMB in thousands)
As of January 1, 2018	101,418,292
Issuance of Series A-12 preferred shares	5,888,472
Change in fair value	104,792,071
Includes: change in fair value due to own credit risk	186,013
Currency translation differences	8,336,605
Transfer to ordinary shares	(220,435,440)
As of December 31, 2018	—
As of January 1, 2017	63,687,007
Issuance of Series C Preferred Shares	27,109,363
Change in fair value	15,138,824
Currency translation differences	(4,516,902)
As of December 31, 2017	101,418,292

We applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions were set as below:

	As of September 20, 2018	As of December 31, 2017
Discount rate	**23%**	28%
Risk-free interest rate	**3%**	2.5%
DLOM	**4%**	13%
Volatility	**40%**	40%

Discount rate was estimated by weighted average cost of capital as of each appraisal date. We estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date. In addition to the assumptions adopted above, our projections of future performance were also factored into the determination of the fair value of Series A, B, and C on each appraisal date.

15 Business combinations

Acquisition of Mobike

On April 4, 2018, we completed a transaction to acquire 100% of the equity interests of Mobike, an unlisted entity mainly operates in the PRC and connects users to dockless bikes via a mobile application.

The goodwill of approximately RMB12,821 million arising from the acquisition is attributable to business cooperation expected to be derived from combining with the operations of the Company. None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarizes the consideration paid for the acquisition of Mobike, the fair value of assets acquired and liabilities assumed.

	April 4, 2018
	(RMB in thousands)
Cash Consideration	9,443,771
Issuance of preferred shares (167.7 million shares) (i)	5,888,472
Option replacement (ii)	231,736
Total consideration paid by the Company	15,563,979
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	834,532
Restricted cash	392,374
Short-term investments	380,000
Inventories	159,115
Trade receivables	21,550
Financial assets at fair value through profit or loss	12,880
Intangible assets	
– Trade name	1,600,000
– User list	840,000
– Technology	660,000
– Others	478,265
Property, plant and equipment	5,349,198
Prepayments, deposits and other assets	1,918,191
Deferred tax assets	599,743
Trade payables	(414,715)
Borrowings	(390,000)
Advance from transacting users	(497,907)
Other payables and accruals	(246,945)
Other non-current liabilities	(8,080)
Deferred revenue	(35,176)
Deposit from transacting users	(8,125,057)
Deferred tax liabilities	(785,467)
Total identifiable net assets	2,742,501
Goodwill	12,821,478
	15,563,979

(Note i) The share consideration paid by the Company for the acquisition of Mobike was comprised of the Company's Series A-12 preferred shares. The fair value of the share consideration was determined using the per share fair value of Series A-12 preferred share as of the acquisition date, using the option-pricing method and equity allocation model.

(Note ii) Pursuant to the share purchase agreement for the acquisition of Mobike, all outstanding awards, vested or unvested, that were awarded under the Mobike's current incentive plan were assumed by the Company under the 2015 Share Incentive Plan. This represents the portion of the awards related to precombination services and were therefore allocated to consideration paid by the Company.

The revenue included in the consolidated income statements since April 4, 2018 contributed by Mobike was RMB1,507 million. Mobike also contributed a loss of RMB4,550 million over the same period. The acquisition-related costs were not significant and had been charged to general and administrative expenses in the consolidated income statements for the year ended December 31, 2018.

Had Mobike been consolidated from January 1, 2018, the consolidated income statements for the year ended December 31, 2018 would show pro-forma revenue of RMB65,492 million and a loss of RMB117,067 million.

16 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2018 and 2017.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the period from the Listing Date to December 31, 2018.

Closure of the Register of Members for Annual General Meeting

The Company will hold its annual general meeting (the "AGM") on May 21, 2019. The register of members of the Company will be closed from May 16, 2019 to May 21, 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 15, 2019.

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Company's audited consolidated financial statements for the year ended December 31, 2018. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control and financial reporting matters.

Auditor's Procedures Performed on this Results Announcement

The figures in respect of the announcement of the Company's results for the year ended December 31, 2018 have been agreed by the Auditor to the amounts as set out in the Company's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

Compliance with the Corporate Governance Code

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

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

Save for code provision A.2.1, the Company has complied with all the code provisions as set out in the CG Code where applicable throughout the period from the Listing Date up to December 31, 2018. Pursuant to code provision A.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have separate chairman and chief executive officer and Mr. Wang Xing currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Company and enables more effective and efficient overall strategic planning for the Company. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider segregating the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time by taking into account the circumstances of the Company as a whole.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code from the Listing Date to December 31, 2018.

Publication of the Annual Results and Annual Report

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

APPRECIATION

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

By Order of the Board
Meituan Dianping
Wang Xing
Chairman

Hong Kong, March 11, 2019

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

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

DEFINITIONS

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

Term	Definition
"Articles" or "Articles of Association"	the articles of association of the Company adopted on August 30, 2018 with effect from Listing, as amended from time to time
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the external auditor of the Company
"Board"	the Board of Directors
"CG Code"	the corporate governance code as set out in Appendix 14 to the Listing Rules
"Class A Shares"	Class A shares of the share capital of the Company with a par value of US$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company's general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
"Class B Shares"	Class B ordinary shares of the share capital of the Company with a par value of US$0.00001 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company's general meeting
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company"	Meituan Dianping (美团点評) (formerly known as Internet Plus Holdings Ltd.), an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 25, 2015, or Meituan Dianping (美团点評) and its subsidiaries and Consolidated Affiliated Entities, as the case may be

"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely, the Onshore Holdcos and their respective subsidiaries (each a "Consolidated Affiliated Entity")
"CODM"	the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments
"Director(s)"	the director(s) of the Company
"Global Offering"	the Hong Kong Public Offering and the International Offering
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Listing"	the listing of the Class B Shares on the Main Board of the Stock Exchange
"Listing Date"	September 20, 2018, on which the Class B Shares are listed and on which dealings in the Class B Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Mobike"	mobike Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 2, 2015 and our direct wholly-owned subsidiary and its subsidiaries and Consolidated Affiliated Entities

"Reserved Matters"	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being (i) any amendment to the Memorandum and Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company's auditors, and (iv) the voluntary liquidation or winding-up of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Share(s)"	the Class A Shares and Class B Shares in the share capital of the Company, as the context so requires
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"%"	per cent

GLOSSARY

"Active Merchant"	a merchant that meets any of the following conditions in a given period: (i) completed at least one transaction on our platform, (ii) purchased any online marketing services from us, (iii) processed offline payment at least once through our integrated payment systems, or (iv) generated any order through our ERP systems
"Gross Transaction Volume" or "GTV"	the value of paid transactions of products and services on our platform by consumers, regardless of whether the consumers are subsequently refunded. This includes delivery charges and VAT, but excludes any payment-only transactions, such as QR code scan payments and point-of-sale payments
"Monetization rate"	the revenues for the year/period divided by the Gross Transaction Volume for the year/period
"Transacting User"	a user account that paid for transactions of products and services on our platform in a given period, regardless of whether the account is subsequently refunded
"transaction"	the number of transactions is generally recognized based on the number of payments made. (i) With respect to our in-store business, one transaction is recognized if a user purchases multiple vouchers with a single payment; (ii) with respect to our hotel-booking business, one transaction is recognized if a user books multiple room nights with a single payment; (iii) with respect to our attraction, movie, air and train ticketing businesses, one transaction is recognized if a user purchases multiple tickets with a single payment; (iv) with respect to our bike- sharing business, if a user uses monthly pass, then one transaction is recognized only when the user purchases or claims the monthly pass, and subsequent rides are not recognized as transactions; if a user does not use monthly pass, then one transaction is recognized for every ride