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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 THREE MONTHS ENDED SEPTEMBER 30, 2018

The Board of Directors (the “Board”) of Meituan Dianping 美团点评 (the “Company”) is pleased to announce the unaudited consolidated results of the Company for the three months ended September 30, 2018. These interim results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting.”

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

KEY HIGHLIGHTS

Third Quarter Financial Summary

	Unaudited				
	Three Months Ended				
	September 30, 2018		September 30, 2017		Year-over-year change
Amount	As a percentage of revenues	Amount	As a percentage of revenues		
	<i>(RMB in thousands, except for percentages)</i>				
Revenues	19,075,999	100.0%	9,673,796	100.0%	97.2%
Gross profit	4,571,241	24.0%	3,433,117	35.5%	33.2%
Operating loss	(3,451,438)	(18.1%)	(1,045,376)	(10.8%)	N.A.
Loss before income tax	(83,152,678)	(435.9%)	(4,339,159)	(44.9%)	N.A.
Loss for the period	(83,297,156)	(436.7%)	(4,369,905)	(45.2%)	N.A.
Non-IFRS Measures:					
Adjusted EBITDA	(1,171,905)	(6.1%)	(839,675)	(8.7%)	N.A.
Adjusted net loss	(2,463,957)	(12.9%)	(955,313)	(9.9%)	N.A.

	Unaudited				
	Three Months Ended				
	September 30, 2018		June 30, 2018		Quarter-over- quarter change
Amount	As a percentage of revenues	Amount	As a percentage of revenues		
	<i>(RMB in thousands, except for percentages)</i>				
Revenues	19,075,999	100.0%	15,072,764	100.0%	26.6%
Gross profit	4,571,241	24.0%	2,840,750	18.8%	60.9%
Operating loss	(3,451,438)	(18.1%)	(2,851,417)	(18.9%)	N.A.
Loss before income tax	(83,152,678)	(435.9%)	(7,424,447)	(49.3%)	N.A.
Loss for the period	(83,297,156)	(436.7%)	(7,716,481)	(51.2%)	N.A.
Non-IFRS Measures:					
Adjusted EBITDA	(1,171,905)	(6.1%)	(1,590,839)	(10.6%)	N.A.
Adjusted net loss	(2,463,957)	(12.9%)	(3,210,589)	(21.3%)	N.A.

Third Quarter Financial Information by Segment

	Unaudited					
	Three Months ended					
	September 30, 2018			September 30, 2017		
	In-store, Food delivery	New initiatives hotel & travel	New initiatives and others	Food delivery	In-store, hotel & travel	New initiatives and others
	<i>(RMB in thousands, except for percentages)</i>					
Revenues	11,172,478	4,435,730	3,467,791	6,044,214	3,022,586	606,996
Gross profit/(loss)	1,851,075	4,017,119	(1,296,953)	477,989	2,674,879	280,249
Gross margin	16.6%	90.6%	(37.4%)	7.9%	88.5%	46.2%

	Unaudited					
	Three Months Ended					
	September 30, 2018			June 30, 2018		
	In-store, Food delivery	New initiatives hotel & travel	New initiatives and others	Food delivery	In-store, hotel & travel	New initiatives and others
	<i>(RMB in thousands, except for percentages)</i>					
Revenues	11,172,478	4,435,730	3,467,791	8,907,967	3,672,694	2,492,103
Gross profit/(loss)	1,851,075	4,017,119	(1,296,953)	1,410,306	3,334,019	(1,903,575)
Gross margin	16.6%	90.6%	(37.4%)	15.8%	90.8%	(76.4%)

Operating Metrics

	Three Months Ended		Year-over-year change	Three Months Ended	Quarter-over-quarter change
	September 30, 2018	September 30, 2017		June 30, 2018	
	<i>(RMB in billions)</i>		<i>(in percentages)</i>	<i>(RMB in billions)</i>	<i>(in percentages)</i>
Gross transaction volume:					
Food delivery	80.0	51.8	54.4	68.2	17.3
In-store, hotel & travel	49.3	43.3	13.9	42.5	16.1
New Initiatives and others	16.4	9.0	83.1	13.0	26.6
Total	145.7	104.1	40.0	123.7	17.9

	Twelve Months Ended		Year-over-year change	Twelve Months Ended	Quarter-over-quarter change
	September 30, 2018	September 30, 2017		June 30, 2018	
	<i>(in millions)</i>		<i>(in percentages)</i>	<i>(in millions)</i>	<i>(in percentages)</i>
Number of Transacting Users	382.3	293.4	30.3	356.9	7.1
Number of Active Merchants	5.5	3.8	44.3	5.1	7.4

	Twelve Months Ended		Year-over-year change	Twelve Months Ended	Quarter-over-quarter change
	September 30, 2018	September 30, 2017		June 30, 2018	
	<i>(units)</i>		<i>(in percentages)</i>	<i>(units)</i>	<i>(in percentages)</i>
Average number of transactions per annual Transacting User	22.7	17.1	32.6	21.4	6.0

	Three Months Ended		Year-over-year change (in percentages)	Three Months Ended June 30, 2018 (in millions)	Quarter-over-quarter change (in percentages)
	September 30, 2018 (in millions)	September 30, 2017			
Number of food delivery transactions	1,787.5	1,204.1	48.5	1,549.2	15.4
Number of domestic hotel room nights	76.1	56.4	34.8	72.9	4.3

FINANCIAL PERFORMANCE HIGHLIGHTS

In the three months ended September 30, 2018:

- **Total revenues** increased by 97.2% to RMB19.1 billion year-over-year from RMB9.7 billion in the same period of 2017. We have achieved strong revenue growth across all major business segments.
- **Total gross profit** increased to RMB4.6 billion year-over-year from RMB3.4 billion in the same period of 2017. We have 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 24.2% from 32.9% in the same period of 2017, attributable to economies of scale and healthy operating leverage.
- **Negative adjusted EBITDA** and **adjusted net loss** were RMB1.2 billion and RMB2.5 billion, respectively. While our significant investments in new initiatives this year to some extent tempered our increase in overall profitability, our adjusted EBITDA and adjusted net loss narrowed sequentially on a quarter-over-quarter basis.

OPERATING HIGHLIGHTS

In the three months ended September 30, 2018:

- **Total Gross Transaction Volume (GTV)** on our platform grew by 40.0% to RMB145.7 billion in the three months ended September 30, 2018 from RMB104.1 billion in the same period of 2017.
- **Annual Transacting Users** on our platform grew by 30.3% to 382.3 million in the twelve months ended September 30, 2018 from 293.4 million in the twelve months ended September 30, 2017. On average, the **annual number of transactions each Transacting User made** on our platform increased to 22.7 transactions in the twelve months ended September 30, 2018 from 17.1 transactions in the twelve months ended September 30, 2017.
- **Annual Active Merchants** on our platform grew by 44.3% to 5.5 million in the twelve months ended September 30, 2018 from 3.8 million in the twelve months ended September 30, 2017.

- **Overall monetization rate** increased to 13.1% in the three months ended September 30, 2018 from 9.3% in the same period of 2017.

BUSINESS REVIEW AND OUTLOOK

Food delivery

Our food delivery business maintained strong growth in the third quarter of 2018. The daily average number of food delivery transactions increased by 48.5% to 19.4 million in the three months ended September 30, 2018 from 13.1 million in the same period of 2017. GTV of food delivery business increased by 54.4% to RMB80.0 billion in the three months ended September 30, 2018 from RMB51.8 billion in the same period of 2017. Monetization rate was 14.0% in the three months ended September 30, 2018 as compared to 11.7% in the three months ended September 30, 2017. As a result, revenues from food delivery increased by 84.8% to RMB11.2 billion in the three months ended September 30, 2018 from RMB6.0 billion in the same period of 2017. Gross profit from food delivery increased by 287.3% to RMB1.9 billion in the three months ended September 30, 2018 from RMB478.0 million in the same period of 2017.

We further increased our scale and improved operating efficiency. Our delivery rider cost per order has been further optimized, and our gross margin for food delivery expanded to 16.6% in the three months ended September 30, 2018 from 7.9% in the same period of 2017. Driven by the strong network effect of our platform, both the merchant base and user base of our food delivery business continued the strong growth momentum. As the merchant base of our food delivery business continues to expand, we are able to provide consumers with a richer selection of quality restaurants. Our vast user base, combined with our insight into consumer preferences, and targeted marketing tools based on our big data and artificial intelligence (“AI”) technologies, also help merchants expand their consumer base and create new consumer demand more effectively.

In-store, hotel & travel

Our in-store, hotel & travel businesses continued to solidify its market leading position during the three months ended September 30, 2018. While GTV of in-store, hotel & travel businesses grew by 13.9% to RMB49.3 billion in the three months ended September 30, 2018 from RMB43.3 billion in the same period of last year, the monetization rate increased to 9.0% from 7.0%, which was primarily due to the increasing contribution of online marketing revenue. As a result, revenues from in-store, hotel & travel businesses in the three months ended September 30, 2018 increased by 46.8% to RMB4.4 billion from RMB3.0 billion in the same period of 2017. The gross profit increased to RMB4.0 billion in the three months ended September 30, 2018 from RMB2.7 billion in the same period of 2017, while the gross margin increased to 90.6% from 88.5%.

The number of annual Active Merchants and average revenue per Active Merchant of in-store, hotel & travel businesses both increased on a year-over-year basis. In particular, revenues from marketing services increased significantly, primarily attributable to the increase in the number of online marketing active merchants. Our massive user base, authentic user generated content (“UGC”) data and effective marketing tools help merchants establish a more effective online presence, obtain access to and better engage with a broader consumer base. Therefore, an increasing number of merchants tend to spend more marketing budget on our platform.

For the hotel booking business, the number of domestic room nights increased by 34.8% to 76.1 million in the three months ended September 30, 2018 from 56.4 million in the same period of 2017. In addition, the average daily rate of the domestic room nights sold on the platform also increased steadily.

New initiatives and others

We have continued to make investments in new initiatives, as we continue to explore new opportunities to solidify our core competencies and pave way for sustainable future growth. GTV from new initiatives and others grew by 83.1% to RMB16.4 billion in the three months ended September 30, 2018 from RMB9.0 billion in the same period of 2017, while monetization rate increased to 21.1% from 6.8%. As a result, revenues from new initiatives and others increased by 471.3% to RMB3.5 billion in the three months ended September 30, 2018 from RMB0.6 billion in the same period of 2017.

Gross margin for new initiatives and others decreased to negative 37.4% in the three months ended September 30, 2018 from 46.2% in the same period of 2017. The decrease was mainly due to the increased investments in new service offerings to consumers and merchants and change of business mix in this segment. As a result of our efforts to streamline Mobike and pilot car-hailing business, gross loss of this segment narrowed in the three months ended September 30, 2018 compared to the three months ended June 30, 2018.

Both our Restaurant Management System and supply chain solution businesses achieved rapid revenue growth in the three months ended September 30, 2018, as compared to the same period of 2017. Through our Restaurant Management System and supply chain solutions, we offer merchants additional value by digitizing their entire operations, reducing their procurement costs and operating expenses, and improving their operational efficiency and profitability. Leveraging our experience and expertise in successfully digitizing consumption on the consumer side, we will continue to digitize the operation of local merchants.

MANAGEMENT DISCUSSION AND ANALYSIS

Third Quarter of 2018 Compared to Third Quarter of 2017

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

	Unaudited	
	Three Months Ended	
	September 30,	September 30,
	2018	2017
	<i>(RMB in thousands)</i>	
Revenues	19,075,999	9,673,796
Cost of revenues	<u>(14,504,758)</u>	<u>(6,240,679)</u>
Gross profit	4,571,241	3,433,117
Selling and marketing expenses	(4,622,267)	(3,183,558)
Research and development expenses	(2,003,497)	(1,026,987)
General and administrative expenses	(1,322,121)	(524,435)
Fair value changes on investments measured at fair value through profit or loss	(340,553)	484,045
Other gains/(losses), net	<u>265,759</u>	<u>(227,558)</u>
Operating loss	(3,451,438)	(1,045,376)
Finance income	68,451	11,892
Finance costs	(15,486)	(2,768)
Fair value changes of convertible redeemable preferred shares	(79,755,963)	(3,283,180)
Share of gains/(losses) of investments accounted for using equity method	<u>1,758</u>	<u>(19,727)</u>
Loss before income tax	(83,152,678)	(4,339,159)
Income tax expenses	<u>(144,478)</u>	<u>(30,746)</u>
Loss for the period	<u>(83,297,156)</u>	<u>(4,369,905)</u>
Non-IFRS measures:		
Adjusted EBITDA	(1,171,905)	(839,675)
Adjusted net loss	(2,463,957)	(955,313)

Revenues

Our revenues increased by 97.2% to RMB19.1 billion in the three months ended September 30, 2018 from RMB9.7 billion in the same period of 2017. The increase was primarily driven by (i) the increase in Gross Transaction Volume on our platform to RMB145.7 billion in the three months ended September 30, 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 the increase in the number of Active Merchants, (ii) the increase in monetization rate to 13.1% in the three months ended September 30, 2018 from 9.3% in the same period of 2017, and (iii) the rapid development of our new initiatives.

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 September 30, 2018 and 2017:

	Unaudited Three Months Ended			
	September 30, 2018		September 30, 2017	
	Amount	As a percentage of total revenues	Amount	As a percentage of total revenues
<i>(RMB in thousands, except for percentages)</i>				
Revenues:				
Food delivery	11,172,478	58.6%	6,044,214	62.5%
In-store, hotel & travel	4,435,730	23.3%	3,022,586	31.2%
New initiatives and others	3,467,791	18.1%	606,996	6.3%
Total	19,075,999	100.0%	9,673,796	100.0%

Our revenues from the food delivery segment increased by 84.8% to RMB11.2 billion in the three months ended September 30, 2018 from RMB6.0 billion in the same period of 2017, primarily due to (i) the increase in food delivery user base, (ii) the enhanced user stickiness and higher average purchase frequency per user, and (iii) the increase in monetization rate.

Our revenues from the in-store, hotel & travel segment increased by 46.8% to RMB4.4 billion in the three months ended September 30, 2018 from RMB3.0 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 we sold on our platform.

Our revenues from the new initiatives and others segment increased by 471.3% to RMB3.5 billion in the three months ended September 30, 2018 from RMB0.6 billion in the same period of 2017, primarily due to the increases in revenues from services to merchants, such as supply chain solution and Restaurant Management System 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 September 30, 2018 and 2017:

	Unaudited			
	Three Months Ended			
	September 30, 2018		September 30, 2017	
	As a	As a	As a	As a
	percentage of	percentage of	percentage of	percentage of
	Amount	total revenues	Amount	total revenues
	<i>(RMB in thousands, except for percentages)</i>			
Revenues:				
Commission	13,568,388	71.1%	7,947,397	82.2%
Online Marketing Services	2,724,333	14.3%	1,329,013	13.7%
Other Services and Sales	2,783,278	14.6%	397,386	4.1%
Total	19,075,999	100.0%	9,673,796	100.0%

Our commission increased by 70.7% to RMB13.6 billion in the three months ended September 30, 2018 from RMB7.9 billion in the same period of 2017, primarily due to the substantial growth of our Gross Transaction Volume, especially from our food delivery business, as well as the overall improvement of our monetization rate.

Our online marketing revenues increased by 105.0% to RMB2.7 billion in the three months ended September 30, 2018 from RMB1.3 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 food delivery and in-store businesses.

Our revenues for other services and sales increased substantially to RMB2.8 billion in the three months ended September 30, 2018 from RMB0.4 billion in the same period of 2017, primarily due to the expansion of our services offerings to both merchants and consumers during the period.

Cost of Revenues

Our cost of revenues increased by 132.4% to RMB14.5 billion in the three months ended September 30, 2018 from RMB6.2 billion in the same period of 2017. The increase was caused by our revenue growth in the three months ended September 30, 2018, especially the strong growth of our food delivery segment, as well as our new initiatives and other services.

The following table sets forth our cost of revenues by segment in the three months ended September 30, 2018 and 2017:

	Unaudited			
	Three Months Ended			
	September 30, 2018		September 30, 2017	
	Amount	As a percentage of total cost of revenues	Amount	As a percentage of total cost of revenues
	<i>(RMB in thousands, except for percentages)</i>			
Cost of revenues:				
Food delivery	9,321,403	64.3%	5,566,225	89.2%
In-store, hotel & travel	418,611	2.9%	347,707	5.6%
New initiatives and others	4,764,744	32.8%	326,747	5.2%
Total	<u>14,504,758</u>	<u>100.0%</u>	<u>6,240,679</u>	<u>100.0%</u>

Cost of revenues for our food delivery business increased by 67.5% to RMB9.3 billion in the three months ended September 30, 2018 from RMB5.6 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 20.4% to RMB418.6 million in the three months ended September 30, 2018 from RMB347.7 million in the same period of 2017. The increase was primarily attributable to the increase in payment processing costs, which was generally in line with our revenue growth, and the increases in other outsourcing labor costs, depreciation of property, plant and equipment, amortization of intangible assets, and employee benefits expenses.

Cost of revenues for the new initiatives and others business increased to RMB4.8 billion in the three months ended September 30, 2018 from RMB0.3 billion in the same period of 2017, mainly attributable to the increases in car-hailing driver related costs and depreciation of property, plant and equipment primarily as a result of our acquisition of Mobike, cost of goods sold as we expand our supply chain solution services, other outsourcing labor costs due to expansion of our non-food delivery services, employee benefits expenses, and payment processing costs as a result of the growth of other sales and services.

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			
	September 30, 2018		September 30, 2017	
	As a	As a	As a	As a
	percentage of	percentage of	percentage of	percentage of
	Amount	revenues	Amount	revenues
	<i>(RMB in thousands, except for percentages)</i>			
Gross profit/(loss):				
Food delivery	1,851,075	16.6%	477,989	7.9%
In-store, hotel & travel	4,017,119	90.6%	2,674,879	88.5%
New initiatives and others	(1,296,953)	(37.4%)	280,249	46.2%
Total	<u>4,571,241</u>	<u>24.0%</u>	<u>3,433,117</u>	35.5%

As a result of the foregoing, our gross profit in the three months ended September 30, 2018 and 2017 was RMB4.6 billion and RMB3.4 billion, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 45.2% to RMB4.6 billion in the three months ended September 30, 2018 from RMB3.2 billion in the same period of 2017, primarily due to the increases in employee benefits expenses, Transaction User incentives, promotion and advertising expenses, and amortization of intangible assets. Employee benefits expenses increased to RMB1.5 billion in the three months ended September 30, 2018 from RMB0.9 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 by 13.9% to RMB1.5 billion in the three months ended September 30, 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. Promotion and advertising expenses increased by 56.8% to RMB1.1 billion in the three months ended September 30, 2018 from RMB0.7 billion in the same period of 2017, primarily due to our increased efforts in conducting marketing and branding campaigns.

Research and Development Expenses

Our research and development expenses increased by 95.1% to RMB2.0 billion in the three months ended September 30, 2018 from RMB1.0 billion in the same period of 2017, primarily due to the increase in employee benefits expenses to RMB1.9 billion in the three months ended September 30, 2018 from RMB1.0 billion in the same period of 2017, which resulted from the increased headcount of our research and development personnel to support our business growth and the increase in their average salaries and benefits.

General and Administrative Expenses

Our general and administrative expenses increased by 152.1% to RMB1.3 billion in the three months ended September 30, 2018 from RMB524.4 million in the same period of 2017, mainly attributable to (i) the increase in employee benefits expenses to RMB762.0 million in the three months ended September 30, 2018 from RMB289.3 million in the same period of 2017, as a result of the increases in headcount and the average salaries and benefits, including share-based payments, of our administrative personnel, (ii) the increase in provision of doubtful amounts of our micro loan business due to business expansion as well as 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 September 30, 2018 decreased by RMB824.6 million compared to the same period of 2017, primarily due to fair value losses from our investee companies.

Other Gains/(Losses), Net

Our other gains/(losses), net were a gain of RMB265.8 million in the three months ended September 30, 2018 compared to a loss of RMB227.6 million in the same period of 2017, primarily due to the increase in foreign exchange gains and government subsidies. In the three months ended September 30, 2017, a loss of RMB365.5 million was recognized for the disposal of certain investments in other losses, net.

Operating Loss

As a result of the foregoing, our operating loss in the three months ended September 30, 2018 was RMB3.5 billion, compared to an operating loss of RMB1.0 billion in the same period of 2017.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares increased to a loss of RMB79.8 billion in the three months ended September 30, 2018 from a loss of RMB3.3 billion in the same period of 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 the three months ended September 30, 2018 was RMB83.2 billion, compared to a loss of RMB4.3 billion in the same period of 2017.

Income Tax Expenses

We had income tax expenses of RMB144.5 million in the three months ended September 30, 2018, compared to income tax expenses of RMB30.7 million in the same period of 2017, primarily due to the increase in net profits from some of our entities.

Loss For the Period

As a result of the foregoing, we had losses of RMB83.3 billion and RMB4.4 billion in the three months ended September 30, 2018 and 2017, respectively.

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 September 30, 2018 and 2017, and the three months ended June 30, 2018 to the nearest measures prepared in accordance with IFRS.

	Unaudited		
	Three Months Ended		
	September 30, 2018	September 30, 2017	June 30, 2018
	<i>(RMB in thousands)</i>		
Operating Loss	(3,451,438)	(1,045,376)	(2,851,417)
Add:			
Fair value changes on investments measured at fair value through profit or loss	340,553	(484,045)	(715,216)
Other (gains)/losses, net	(265,759)	227,558	(160,894)
Depreciation of property, plant and equipment	1,343,260	81,031	1,426,209
Amortization of intangible assets	321,847	149,935	322,899
Share-based compensation expenses	539,632	231,222	387,580
Adjusted EBITDA	<u>(1,171,905)</u>	<u>(839,675)</u>	<u>(1,590,839)</u>
Loss for the period	(83,297,156)	(4,369,905)	(7,716,481)
Add:			
Fair value changes of convertible redeemable preferred shares	79,755,963	3,283,180	4,637,019
Share-based compensation expenses	539,632	231,222	387,580
Fair value losses/(gains) on investments ⁽¹⁾	340,553	(547,092)	(715,216)
Losses on disposal of investments and subsidiaries ⁽²⁾	542	365,481	—
Amortization of intangible assets resulting from acquisitions	196,509	81,801	196,509
Adjusted net loss	<u>(2,463,957)</u>	<u>(955,313)</u>	<u>(3,210,589)</u>

(1) Represents unrealized 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.

(2) Represents realized gains or losses from disposal of investments and subsidiaries.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Unaudited		
	Three Months Ended		
	September 30,	September 30,	June 30,
	2018	2017	2018
	<i>(RMB in thousands)</i>		
Revenues	19,075,999	9,673,796	15,072,764
Cost of revenues	(14,504,758)	(6,240,679)	(12,232,014)
Gross profit	4,571,241	3,433,117	2,840,750
Selling and marketing expenses	(4,622,267)	(3,183,558)	(3,868,230)
Research and development expenses	(2,003,497)	(1,026,987)	(1,703,837)
General and administrative expenses	(1,322,121)	(524,435)	(996,210)
Fair value changes on investments measured at fair value through profit or loss	(340,553)	484,045	715,216
Other gains/(losses), net	265,759	(227,558)	160,894
Operating loss	(3,451,438)	(1,045,376)	(2,851,417)
Finance income	68,451	11,892	61,991
Finance costs	(15,486)	(2,768)	(5,427)
Fair value changes of convertible redeemable preferred shares	(79,755,963)	(3,283,180)	(4,637,019)
Share of gains/(losses) of investments accounted for using equity method	1,758	(19,727)	7,425
Loss before income tax	(83,152,678)	(4,339,159)	(7,424,447)
Income tax expenses	(144,478)	(30,746)	(292,034)
Loss for the period	(83,297,156)	(4,369,905)	(7,716,481)
Loss for the period attributable to:			
Equity holders of the Company	(83,295,010)	(4,351,661)	(7,705,707)
Non-controlling interests	(2,146)	(18,244)	(10,774)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited	Unaudited
	As of	As of	As of
	September 30,	December 31,	June 30,
	2018	2017	2018
	<i>(RMB in thousands)</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	4,917,224	915,682	5,642,097
Intangible assets	35,479,826	19,852,974	35,786,637
Deferred tax assets	206,376	243,263	237,561
Investments accounted for using the equity method	2,120,633	1,952,175	2,082,917
Financial assets at fair value through profit or loss	4,850,920	5,919,594	5,057,868
Prepayments, deposits and other assets	837,635	312,340	584,540
	48,412,614	29,196,028	49,391,620
Current assets			
Inventories	415,605	88,374	306,776
Trade receivables	480,474	432,494	474,547
Financial assets at fair value through profit or loss	–	25,099	–
Prepayments, deposits and other assets	8,311,400	4,186,391	6,655,557
Short-term investments	12,711,264	25,838,177	7,901,373
Restricted cash	4,560,975	4,458,761	4,909,606
Cash and cash equivalents	46,921,404	19,408,839	26,276,846
	73,401,122	54,438,135	46,524,705
Total assets	121,813,736	83,634,163	95,916,325
EQUITY			
Share capital	384	98	100
Share premium	258,193,736	9,338,529	9,059,177
Other reserves	(6,204,868)	466,103	(2,723,272)
Accumulated losses	(162,614,083)	(50,363,846)	(78,709,329)
	89,375,169	(40,559,116)	(72,373,324)
Equity attributable to equity holders of the Company	89,375,169	(40,559,116)	(72,373,324)
Non-controlling interests	57,353	57,734	59,437
Total equity	89,432,522	(40,501,382)	(72,313,887)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

	Unaudited	Audited	Unaudited
	As of	As of	As of
	September 30,	December 31,	June 30,
	2018	2017	2018
	<i>(RMB in thousands)</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	1,108,909	1,050,119	1,029,521
Deferred revenues	666,800	833,500	722,367
Redemption liabilities	10,617	316,264	10,463
Convertible redeemable preferred shares	–	101,418,292	135,117,864
Other non-current liabilities	18,182	–	8,341
	1,804,508	103,618,175	136,888,556
Current liabilities			
Trade payables	4,782,173	2,666,799	4,033,477
Payables to merchants	6,702,173	9,363,873	8,041,216
Advance from transacting users	3,621,545	2,290,160	2,911,624
Deposit from transacting users	4,385,299	–	6,686,578
Other payables and accruals	6,659,492	3,920,323	5,930,191
Borrowings	1,545,000	162,000	1,117,000
Deferred revenues	2,881,024	2,114,215	2,621,570
	30,576,706	20,517,370	31,341,656
Total liabilities	32,381,214	124,135,545	168,230,212
Total equity and liabilities	121,813,736	83,634,163	95,916,325

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 September 30, 2018.

Audit Committee

The Audit Committee has considered and reviewed the Company's unaudited interim financial information for the three months ended September 30, 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.

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 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 set out in the CG Code where applicable throughout the period from the Listing Date up to September 30, 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 a 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 when it is appropriate by taking into account the circumstances of the Company as a whole.

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, November 22, 2018

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
“BVI”	the British Virgin Islands
“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 (美团点评) (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 (美团点评) 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”)
“Director(s)”	the director(s) of the Company

“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
“AI”	artificial intelligence
“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.
“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.
“UGC”	user generated content