

# SECTION A

## WAIVERS

The following waivers and exemptions have been applied for and granted by the Hong Kong Stock Exchange and/or the SFC. Unless the context requires otherwise, capitalized terms used herein shall have the meanings given to them in the Company's prospectus (the "**Prospectus**") dated April 8, 2021 and references to sections of the Prospectus shall be construed accordingly.

<b>Rules</b>	<b>Subject matter</b>
Rule 2.07A of the Hong Kong Listing Rules	Printed Corporate Communications
Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements Relating to the Accountant's Report
Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules	Investments after the Track Record Period
Rule 9.09(b) of the Hong Kong Listing Rules	Dealings in Shares prior to Listing
Rule 10.04 of, and paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules	Subscription for Shares by Existing Shareholders
Rule 10.04 of, and paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules	Participation by Baidu in the Global Offering
Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules	Printed Prospectuses
Rule 13.25B of the Hong Kong Listing Rules	Monthly Return
Rule 13.46(2)(b) of the Hong Kong Listing Rules	Laying 2020 annual financial accounts at an AGM within six months of fiscal year end
Rules 19C.07(3) and 19C.07(4) of the Hong Kong Listing Rules	Shareholder Protection Requirements
Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules and paragraphs 11, 14 and 25 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures

<b>Rules</b>	<b>Subject matter</b>
Paragraph 27 of Appendix 1A to the Hong Kong Listing Rules and paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure Requirements of Options
Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contributions to Us
Paragraphs 33(2), 33(3), 46(2) and 46(3) of Appendix 1A to the Hong Kong Listing Rules	Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest
Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 to the Hong Kong Listing Rules	Disclosure of Interests Information
Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules	Rules related to spin-off listings
Guidance Letter GL37-12	Timing requirement of liquidity and indebtedness disclosure
Paragraph 15(2)(c) of Appendix 1A to the Hong Kong Listing Rules	Disclosure of Offer Price
Paragraph 4.2 of Practice Note 18 to the Hong Kong Listing Rules	Clawback Mechanism
Section 4.1 of the Introduction to the Takeovers Codes	Not a public company in Hong Kong under the Takeovers Codes
Part XV of the SFO	Disclosure of interests under Part XV of the SFO

## **PRINTED CORPORATE COMMUNICATIONS**

Rule 2.07A of the Hong Kong Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that either the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website or the listed issuer's constitutional documents contain provision to that effect, and certain conditions are satisfied.

Our ADSs have been listed on Nasdaq since 2003. We have a diverse shareholder base with ADS holders globally.

We do not currently produce or send out any corporate communications to our shareholders or holders of ADSs in printed form unless requested or in limited circumstances. We publicly file or furnish various corporate communications with the SEC that are posted on the SEC's website. Our annual reports on Form 20-F and current reports on Form 6-K and all amendments to these reports are also available free of charge on our website as soon as reasonably practicable after they are filed with or furnished to the SEC. Further, we will post our proxy materials and notices to our shareholders and holders of ADSs on the Company's publicly accessible website.

Apart from the Hong Kong Offer Shares that we will offer for subscription by the public in Hong Kong, the International Offer Shares will be placed to professional, institutional, corporate and other investors in Hong Kong and elsewhere in the world. Given our diverse shareholder base and the potential number of countries in which our shareholders are located, we consider that it would not be practicable for us to send printed copies of all our corporate communications to all of our shareholders. Further, we consider that it would also not be practicable for us to approach our existing shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 2.07A of the Hong Kong Listing Rules on the conditions that we will:

- (a) issue all future corporate communications as required by the Hong Kong Listing Rules on our own website in English and Chinese, and on the Hong Kong Stock Exchange's website in English and Chinese;
- (b) provide printed copies of proxy materials to our shareholders at no costs upon request; and
- (c) ensure that the "Investor Relations" page of our website ([investors.trip.com](http://investors.trip.com)) will direct investors to all of our future filings with the Hong Kong Stock Exchange.

## **DISCLOSURE REQUIREMENTS RELATING TO THE ACCOUNTANT'S REPORT**

Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance set out certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

- (a) balance sheet at a company level;
- (b) aging analysis of accounts receivables;
- (c) aging analysis of accounts payables; and
- (d) adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last fiscal year reported on.

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

The new accounting standards including “Accounting Standards Update 2016-02 “Leases” (Topic 842), and “Accounting Standards Update 2016-13 “Financial Instruments — Credit Losses” (Topic 326), were adopted by using the modified retrospective approach. The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the Accountant’s Report in Appendix I to this document.

ASC 842 was adopted on January 1, 2019 using the modified retrospective approach by applying the new lease standard to all leases existing as of January 1, 2019, the date of initial application, and no adjustments were made to the comparative periods. ASC 842 does not permit a full retrospective approach. Adoption of the new lease standard resulted in the recognition of RMB1.0 billion operating lease right-of-use assets and RMB980 million operating lease liabilities on the consolidated balance sheet as of January 1, 2019. The adoption of the new lease standard does not have any significant impact on the consolidated statements of operations and comprehensive income and cash flows.

ASU 2016-13 “Financial Instruments — Credit Losses (Topic 326),” was adopted on January 1, 2020 which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 was applied using a modified retrospective approach with adjustment recognized to opening retained earnings on January 1, 2020. ASU 2016-13 does not permit a full retrospective approach and comparative prior periods should not be adjusted. The adoption does not have any significant impact on the consolidated financial statements.

The following alternative disclosures with respect to certain items identified above which are relevant to us have been included in this document:

- (a) disclosure of the accounting policies for the adoption of ASC 842 and ASU 2016-13 as well as the impact of adoption, if any, in the Accountant’s Report in Appendix I to this document; and
- (b) for the new accounting standard that came into effect during the Track Record Period, the accounting policy as well as the impact of adoption, if any, to the beginning retained earnings of initial application (*i.e.* January 1, 2019 and 2020) has been disclosed in the Accountant’s Report in Appendix I to this document in accordance with the relevant requirements under U.S. GAAP.

As this document has included the above alternative disclosures and the current disclosure in this document contains all information that is necessary for investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group, we believe that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountant’s Report in Appendix I to this document to include certain required information pursuant to Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and that the non-disclosure of such information will not prejudice the interests of investors.

We have applied for, and SFC has granted, an exemption from strict compliance with the requirements under paragraph 31(3)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC exemption is granted on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before April 8, 2021.

We have also applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

## INVESTMENTS AFTER THE TRACK RECORD PERIOD

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

Pursuant to Rule 4.02A of the Hong Kong Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note to Rule 4.04 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

During the Track Record Period, we made investments in a number of companies both in China and overseas in the ordinary and usual course of business to further our strategic objectives. Since December 31, 2020 and up to the Latest Practicable Date, we have made or proposed to make investments in a number of companies, and we expect to continue to enter into further investments subsequent to the Latest Practicable Date and prior to the date of this document (collectively, the “**Investments**”). Details of the Investments up to the Latest Practicable Date include:

<b>Investment</b> <sup>(1)(3)</sup>	<b>Approximate consideration</b> <sup>(2)</sup>	<b>Percentage of shareholding/ equity interest</b> <sup>(2)</sup>	<b>Principal business activities</b>
Company A	RMB700.0 million	53.0% <sup>(4)</sup>	OTA
Company B	USD14.3 million	9.9%	Virtual banking
Company C	USD10.0 million	33.3%	Hotel management
Company D	RMB2.0 million	20.0%	Car service
Company E	RMB90.9 million	14.9%	Hotel

*Notes:*

- (1) Given that we have not yet entered into legally binding agreements for certain of the above Investments as at the Latest Practicable Date, the terms and information set out above might be subject to further changes.

- (2) The approximate consideration disclosed in the table represents each of the Investment after December 31, 2020. The percentage of shareholding/equity interest represents our Company's total pro forma shareholding in each of the Investments after the completion of the disclosed transaction.
- (3) None of the connected persons at the level of our Company is a controlling shareholder of any of the Investments.
- (4) The Company does not have control over Company A since the Company does not have control of the board of directors of Company A, which makes all its significant decisions.

We confirm that the investment amounts for the Investments are the result of commercial arm's length negotiations, based on factors including market dynamics, a mutually agreed valuation, and/or capital required for the relevant company's operations.

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

### **Ordinary and usual course of business**

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

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

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

Accordingly, we believe that each of the Investments have not resulted in any significant changes to our financial position since December 31, 2020, and all information that is reasonably necessary for potential investors to make an informed assessment of our activities or financial position has been included in this document. As such, we consider that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

### **We are not able to exercise any control over the underlying company or business**

We confirm that: (i) we only hold and/or will only hold an investment equity interest in each of the companies and do not control their boards of directors and have any significant influence over the underlying business, and expects this to remain the case for any subsequent Investments; and (ii) our Company cannot determine the day to day management of these Investments and only enjoys strategic shareholder rights. The rights given to our Company are generally commensurate to our status as a non-controlling shareholder and are for the protection of our interests as a non-controlling stakeholder in the Investments. These rights are neither intended, nor sufficient to compel or require the relevant companies to prepare or to disclose in this document audited

financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules. Underlying financial information of the Investments compliant with the Hong Kong Listing Rules are not available for disclosure and it would be unduly burdensome for us to prepare the necessary financial information and supporting documents. These disclosures are also not required pursuant to applicable U.S. securities laws. It could be prejudicial and potentially harmful to our Company's portfolio relationships and commercial interests to make such disclosures. In addition, as such portfolio companies are private, disclosing this information could harm their interests and bring them into an unfavorable competitive position. Accordingly, as we do not expect the Investments to result in any material changes to our financial position after the Track Record Period, we do not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interest of investors.

### **Alternative disclosure of the Investments in this document**

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

### **DEALINGS IN SHARES PRIOR TO LISTING**

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

We had more than 300 subsidiaries as of December 31, 2020, and our ADSs are widely held, publicly traded and listed on Nasdaq. We considers that it is therefore not in a position to control the investment decisions of our shareholders or the investing public in the US.

Solely based on public filings with the SEC as of the Latest Practicable Date, other than Baidu Holdings Limited, there are no other shareholders that beneficially owned 10% or more of the total issued share capital of us.

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

On the basis of the above, we consider that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Hong Kong Listing Rules:

- (a) directors and chief executive of we and our subsidiaries in respect of their respective dealings pursuant to Rule 10b5-1 Plans that have been set up prior to the Relevant Period (“**Category 1**”);
- (b) our directors and chief executive, and the directors and chief executives of our Significant Subsidiaries, and their close associates, in respect of their respective use of the Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period (“**Category 2**”);
- (c) directors, chief executives and substantial shareholders of our non-Significant Subsidiaries and their close associates (“**Category 3**”); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become our substantial shareholder and who is not our director or chief executive, or a director or chief executive of our subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt:

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing



transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Hong Kong Listing Rules; and

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

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

- (a) Categories 1 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in our ADSs after the plans have been entered into;
- (b) where Categories 2 of the Permitted Persons use the Shares as security, there will be no change in the beneficial ownership of the Shares during the Relevant Period;
- (c) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of us given that such persons are not in a position with access to information that is considered material to us taken as a whole. Given the large number of our subsidiaries and our vast ADS holder base, we and our management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in our ADSs;
- (d) we will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which we are aware;
- (e) we will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of our core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (f) prior to the Listing Date, other than within the permitted scopes set out above, our directors and chief executive and the directors and chief executives of our Significant Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of restricted share units, incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group’s share incentive plans.

## SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

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

The Hong Kong Stock Exchange's Guidance Letter HKEX-GL85-16 provides that the Hong Kong Stock Exchange will consider granting a waiver from Rule 10.04 of the Hong Kong Listing Rules and consent pursuant to paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules, allowing an applicant's existing shareholders or their close associates to participate in an initial public offering, if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

We have a wide and diverse shareholder base. There is a robust level of trade in our securities, with significant daily trading volume resulting in daily changes to our existing shareholders. We are not in a position to prevent any person or entity from acquiring our listed securities prior to the allocation of shares in connection with the Global Offering. It would therefore be unduly burdensome for us to seek the prior consent of the Hong Kong Stock Exchange for each of our existing shareholders or their close associates who subscribe for Offer Shares in the Global Offering. Categories 3 and 4 of the Permitted Persons (as defined in “— Dealings in Shares prior to Listing” above) have no influence over the Global Offering and are not in possession of any inside information in relation to the Listing and are effectively in the same positions as other public investors. Categories 3 and 4 of the Permitted Persons, other public investors and their close associates are referred to as “**Permitted Existing Shareholders**”.

Although Category 3 individuals fall within the strict definition of a core connected person under the Hong Kong Listing Rules, there is no actual or perceived preferential treatment. These individuals (a) have no influence over the Global Offering, (b) will not be offered securities on a preferential basis, (c) will not be given preferential treatment in the allocation of the securities, (d) are not in possession of any inside information in relation to the Listing and (e) are effectively in the same positions as other public investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 10.04 of, and paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules in respect of the restriction on each Permitted Existing Shareholder, subject to the following conditions:

- (a) other than Baidu, each Permitted Existing Shareholder is interested in less than 5% of our issued share capital immediately before the Listing;
- (b) other than the Categories 3 and 4 of the Permitted Persons, each Permitted Existing Shareholder is not a core connected person of us or their close associates;

- (c) the Permitted Existing Shareholders do not have the power to appoint directors of, or any other special rights in, us;
- (d) the Permitted Existing Shareholders do not have influence over the offering process and will be treated the same as other applicants and placees in the Global Offering;
- (e) the Permitted Existing Shareholders will be subject to the same book-building and allocation process as other investors in the Global Offering; and
- (f) we, the Joint Representatives and the Joint Sponsors, to the best of their knowledge and belief (and based on discussions between us and the Joint Representatives and confirmations required to be submitted to the Hong Kong Stock Exchange by us and the Joint Representatives), will or have confirmed to the Hong Kong Stock Exchange in writing that no preferential treatment will be given to the Permitted Existing Shareholders in the allocation process by virtue of their relationship with us.

Allocation to the Permitted Existing Shareholders will not be disclosed in our allotment results announcement (other than to the extent that such Permitted Existing Shareholders or close associates subscribe for Offer Shares as cornerstone investors) unless such Permitted Existing Shareholders are interested in 5% or more of the issued share capital of us after the Global Offering as disclosed in any public filings with the SEC, as it would be unduly burdensome for us to disclose such information given that there is no requirement to disclose interests in equity securities under the U.S. Exchange Act unless the beneficial ownership of such person (including directors and officers of the company concerned) reaches more than 5% of equity securities registered under Section 12 of the U.S. Exchange Act.

## **PARTICIPATION BY BAIDU IN THE GLOBAL OFFERING**

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

Baidu Inc. (“**Baidu**”), an existing shareholder of us, through its wholly-owned subsidiary, Baidu Holdings Limited (“**Baidu Holdings**”), holds 69,159,340 Shares, after accounting for the Share Subdivision, (or approximately 11.5% of our total issued share capital) as at February 28, 2021. See “Major Shareholders” in this document for further details. Pursuant to a standstill agreement dated October 26, 2015 (the “**Standstill Agreement**”), we granted a pre-emptive right to Baidu, such that for so long as Baidu and its subsidiaries beneficially own not less than fifty percent (50%) of the ordinary shares issued to Baidu or its subsidiary under the Share Exchange Agreement (as adjusted), Baidu is entitled to a pre-emptive right to purchase up to its pro rata share of any new

equity securities which our Company may, from time to time, propose to sell, offer or issue, for the same purchase price and in substantially the same deal timetable as are offered to other participants in such issuance, subject to certain exceptions. The pre-emptive right function as typical anti-dilution rights as, if exercised, it would allow Baidu to subscribe for additional ordinary shares, to the extent permitted by the Hong Kong Listing Rules, in order to reduce the dilutive effect of the Global Offering on Baidu's aggregate percentage interest in us that is currently held through Baidu Holdings. The Standstill Agreement will survive after Listing.

As of the date of this document, Baidu has not indicated their intention to exercise the pre-emptive right, whether in full or in part, pursuant to the Standstill Agreement. If Baidu elects to exercise its pre-emptive right in full pursuant to the Standstill Agreement, an aggregate of 3,639,970 Shares can be subscribed by them on an assured basis, representing approximately 11.5% of the Offer Shares and approximately 0.6% of the Shares in issue immediately upon completion of the Global Offering, without taking into account (i) the Shares that were issued for bulk issuance of ADSs, (ii) our repurchase of ordinary shares in the form of ADSs, and (iii) any allotment and issuance of ordinary shares upon exercise of the Over-allotment Option. No preferential treatment will be given to Baidu other than the assured allocation of no more than 3,639,970 Shares in connection with the Global Offering in the event that Baidu exercises its pre-emptive right under the Standstill Agreement. There is no guarantee that the pre-emptive right pursuant to the Standstill Agreement will be exercised, whether in full or in part. Prospective investors are therefore advised to exercise caution when dealing in our ordinary shares. This proposed subscription of ordinary shares by Baidu will not have any impact on the Hong Kong Public Offering, taking into account the potential clawback of shares.

Full disclosure of the pre-existing contractual arrangement is made in this document, including the number of ordinary shares that may be subscribed by Baidu pursuant to the pre-emptive right under the Standstill Agreement and the fact that the subscription price per Share will be at the International Offer Price. In addition, the allotment results announcement will contain details of any allocation made to Baidu. On the basis of full disclosure, no investor will be prejudiced or unfairly treated in their investment decision making process.

If the pre-emptive right is exercised:

- (a) the subscription for additional ordinary shares by Baidu will be conducted at the International Offer Price on the same terms and conditions as other investors pursuant to the Global Offering;
- (b) the subscription by Baidu will form part of the International Offering, and will not have an impact on the ordinary shares to be offered to public investors in Hong Kong under the Hong Kong Public Offering;
- (c) the subscription of the additional ordinary shares by Baidu is a pre-existing contractual arrangement between Baidu and us and was agreed on an arm's length basis, and the subscription is for the purpose of giving effect to such pre-existing arrangement;

- (d) the subscription rights of Baidu are, in substance, similar in nature to the typical anti-dilution rights granted to pre-IPO investors and, in particular, the subscription by Baidu will not result in Baidu's aggregate percentage interest in us that is held currently through Baidu Holdings increasing above its aggregate percentage interest immediately prior to the Global Offering. Such rights are permitted to be exercised at the time of an initial public offering pursuant to paragraph 3.10 of Guidance Letter HKEX-GL43-12; and
- (e) the allotment results announcement will contain details of any allocation made to Baidu,

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of, and paragraph 5(2) of Appendix 6 to, the Hong Kong Listing Rules in respect of the allocation of shares to Baidu, subject to the following conditions:

- (a) full disclosure of the pre-existing pre-emptive arrangement between Baidu and us contained in the Standstill Agreement and the number of ordinary shares that may be subscribed by Baidu;
- (b) the proposed subscription of ordinary shares by Baidu will form part of the International Offering and be conducted at the International Offer Price on the same terms and conditions as other investors pursuant to the Global Offering and, in any event, will not result in Baidu increasing our aggregate percentage interest in us that is currently held through Baidu Holdings above our aggregate percentage interest in us immediately prior to the Global Offering;
- (c) we, the Joint Representatives, and the Joint Sponsors will confirm to the Hong Kong Stock Exchange in writing that no preferential treatment, other than the assured allocation, will be given to the Baidu as places in the International Offering; and
- (d) information on the amount of ordinary shares actually allocated to Baidu will be disclosed in the allotment results announcement and the places lists to be submitted to the Hong Kong Stock Exchange before Listing.

## **PRINTED PROSPECTUSES**

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules, we are required to make available copies of our prospectus in printed form.

The waiver from the requirements to make available printed copies of the Prospectus is in line with recent amendments to the Hong Kong Listing Rules relating to paperless listing and environmental, social and governance (“ESG”) matters. As the Hong Kong Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters “*echo the increasing international focus on climate change and its impact on business.*” Electronic, *in lieu of* printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. It is further noted that the Hong Kong Stock Exchange recently published its Consultation Conclusions on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display in December 2020.

It is noted that in light of the severity of the ongoing COVID-19 pandemic, the provision of printed prospectuses and printed application forms will elevate the risk of contagion of the virus through printed materials. As of the Latest Practicable Date, the government of Hong Kong continued to have in place social distancing measures to restrict public gatherings. While the government of Hong Kong may relax such restrictions as the local COVID-19 situation improves, it is possible that stricter social distancing measures may be necessary later if the number of cases of infection in the territory dramatically increases. In any event, it is impossible to accurately predict the development of the COVID-19 pandemic as of the Latest Practicable Date. In this uncertain environment, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.

We propose to adopt a fully electronic application process for the Hong Kong Public Offering and will not provide printed copies of our prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. We also anticipate that our share registrar appointed in connection with the Listing and Hong Kong Public Offering will implement enhanced measures to support White Form eIPO Service consistent with recent precedent Chapter 19C listings, including increasing our server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process.

We also expect to publish the formal notice with respect to our Hong Kong Public Offering on the official websites of the Hong Kong Stock Exchange and us and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription and the enhanced support provided by our appointed Hong Kong share registrar in relation to the Hong Kong Public Offering and reminding investors that no printed prospectuses or application forms will be provided.

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

## **MONTHLY RETURN**

Rule 13.25B of the Hong Kong Listing Rules requires a listed issuer to publish a monthly return in relation to movements in its equity securities, debt securities and any other securitized instruments, as applicable, during the period to which the monthly return relates. This common waiver is subject to the condition that the issuer can meet one of multiple conditions, including that it has received a relevant partial exemption from Part XV of the SFO.

We have applied simultaneously to the SFC for a relevant partial exemption from strict compliance with Part XV of the SFO. Subject to the SFC granting a relevant partial exemption from strict compliance with Part XV of the SFO, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the continuing obligations under Rule 13.25B of the Hong Kong Listing Rules. We will disclose information about share repurchases, if material, in our quarterly earnings releases and annual reports on Form 20-F which are furnished or filed with the SEC in accordance with applicable U.S. rules and regulations.

## **LAYING 2020 ANNUAL FINANCIAL ACCOUNTS AT AN AGM WITHIN SIX MONTHS OF FISCAL YEAR END**

Rule 13.46(2)(b) of the Hong Kong Listing Rules requires an overseas issuer to lay our annual financial statements before our members at our annual general meeting (“AGM”) within six months of the financial year or the accounting reference period to which the annual financial statements relate.

Note 2 to Rule 13.46(2)(b) of the Hong Kong Listing Rules provides that if an issuer has significant interests outside of Hong Kong it may apply for an extension of the six-month period.

We were incorporated in the Cayman Islands and is primary listed on Nasdaq, and accordingly, we are an issuer with significant interests outside of Hong Kong. We have obtained a ruling from the SFC that we should not be considered a public company in Hong Kong within the meaning of Section 4.2 of the Introduction on the Takeovers Codes.

We have filed our annual report for the year ended December 31, 2020 on Form 20-F with the SEC before the Listing and have included in this document the audited financial information for the year ended December 31, 2020 and other financial disclosure. Therefore, upon our Listing, we will have provided our shareholders with all of the information required under Rule 13.46(2)(b) of the Hong Kong Listing Rules. Accordingly, the laying of annual accounts for the fiscal year ended December 31, 2020 at an AGM shortly after the Listing, as required under Rule 13.46(2)(b) of the Hong Kong Listing Rules, would not provide shareholders and potential investors with additional material information not already contained in this document. Given that all the information required under Rule 13.46(2) shall be included in this document, which will be reviewed by our existing shareholders and potential investors, including our future Hong Kong shareholders, our shareholders would not be unfairly prejudiced by us not laying our annual financial accounts for the fiscal year ended December 31, 2020 at an AGM.

The procedure for convening our first AGM as a company with a dual listing in the U.S. and Hong Kong is burdensome and requires global coordination among various parties, including the principal and Hong Kong share registrars of us, the ADS depositary bank and Hong Kong Securities Clearing Company Limited. Since this would be our first time convening a general meeting with both U.S. and Hong Kong shareholders following the Listing, and we would also need to put forth resolutions to amend our Articles, additional time, manpower and costs will have to be budgeted to take into account novel issues arising from us and the various parties involved. We would face great difficulty if it were to convene an AGM within the period specified under Rule 13.46(2)(b) of the Hong Kong Listing Rules.

We note that (a) Appendix 16 does not apply to us pursuant to Rule 19C.11 of the Hong Kong Listing Rule, (b) Appendix 14 does not apply to us pursuant to Rule 19C.11 of the Hong Kong Listing Rule, and (c) it will not be a breach of our constitutional documents, laws and regulations of our place of incorporation or other regulatory requirements as a result of not distributing annual reports and accounts in the manner prescribed by Rule 13.46(2)(a) of the Hong Kong Listing Rule.

The Company has convened an AGM every year since its listing on Nasdaq in December 2003. The Company has held its AGM in the fourth quarter of the year since 2008, and also expects to hold its AGM for 2021 in the fourth quarter of 2021.

Rule 5620(a) of the Nasdaq Stock Market Marketplace Rules (the “**Nasdaq Listing Rules**”) requires that each company listing common stock or voting preferred stock, and their equivalents, shall hold an annual general meeting no later than one year after the end of the company’s fiscal year-end. However, pursuant to Rule 5615(a)(3) of the Nasdaq Listing Rules, a foreign private issuer such as our Company may follow its home country practice in lieu of the Rule 5600 Series corporate governance requirements, including the requirements to hold an annual general meeting under Rule 5620(a). The term “home country” is defined under the U.S. securities laws to mean the jurisdiction in which the company is legally organized, incorporated or established. Nonetheless, we have opted to comply with the Nasdaq Rule 5600 Series in this regard.

Our Cayman Islands counsel confirmed that: (a) the Companies Act (as revised) does not require us to follow or comply with the requirements of Rule 5620(a); (b) our voluntary compliance with Rule 5620(a) will not breach any law, public rule or regulation applicable to us currently in force in the Cayman Islands; and (c) our Memorandum and Articles do not prohibit us from, or require us to, comply with the requirements of Rule 5620(a).

On the basis of the above, the Company confirms that, having consulted its legal advisers, not holding an annual general meeting by our Company before June 30, 2021 does not contravene the relevant requirements under the Nasdaq Listing Rules, U.S. securities laws, laws of the Cayman Islands or our Articles.

We have applied for, and the Hong Kong Stock Exchange has granted, a one-off waiver from strict compliance with Rule 13.46(2)(b) of the Hong Kong Listing Rules with respect to the requirement to lay our annual financial statements for the year ended December 31, 2020 before our members at an AGM within six months after the financial year ended December 31, 2020, subject to the condition that we lay such annual financial statements before our members at an AGM before December 31, 2021.

## **SHAREHOLDER PROTECTION REQUIREMENTS**

For an overseas issuer seeking a secondary listing on the Hong Kong Stock Exchange, Rule 19.30(1)(b) of the Hong Kong Listing Rules requires the overseas issuer’s primary listing is or is to be on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. Rule 19C.07 of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange will consider that a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Hong Kong Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Hong Kong Listing Rules. We are a Grandfathered Greater China Issuer under Chapter 19C of the Hong Kong Listing Rules.

### **Approval, removal and remuneration of auditors**

Rule 19C.07(3) of the Hong Kong Listing Rules requires the appointment, removal and remuneration of auditors to be approved by a majority of the Qualifying Issuer’s members or other body that is independent of the issuer’s board of directors (the “**Auditors Provision**”).



Our Articles do not contain an equivalent Auditors Provision. Pursuant to our Articles, the Board has the power to appoint, remove and remunerate the auditors instead. Although the Board has such a power, it has formally delegated this function to our audit committee (the “**Audit Committee**”) since our listing on Nasdaq in December 2003.

The Audit Committee is akin to an independent body of the Board on the basis of the independence requirements set out in applicable U.S. laws and Nasdaq rules. The Audit Committee comprises of three members, all of whom are independent directors as required by the U.S. Exchange Act and applicable Nasdaq rules and each of whom has confirmed their independence under the Hong Kong Listing Rules with reference to the factors set out in Rule 3.13 of the Hong Kong Listing Rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 19C.07(3) of the Hong Kong Listing Rules.

### **Annual general meeting**

Rule 19C.07(4) of the Hong Kong Listing Rules requires a general meeting to be held each year as the Qualifying Issuer’s annual general meeting.

We may, but are not required, to hold an annual general meeting under our Articles. Nevertheless, we have convened an annual general meeting every year since our listing on Nasdaq in December 2003.

We have applied for and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 19C.07(4) of the Hong Kong Listing Rules, subject to the conditions that we will put forth a resolution at the next annual general meeting after the Listing to be convened in December 2021 to revise our Articles of Association to comply with Rule 19C.07(4) of the Hong Kong Listing Rules so as to require our Company to hold an annual general meeting each year for so long as our Company remains listed on the Hong Kong Stock Exchange.

Following the Listing, we will continue to hold an annual general meeting each year. In the event that the proposed amendment of the Articles of Association as described above is not approved by Shareholders, we will continue to put forth the resolution at each annual general meetings until such resolution is passed.

## **PARTICULARS OF ANY COMMISSIONS, DISCOUNTS AND BROKERAGES, ALTERATIONS OF CAPITAL AND AUTHORIZED DEBENTURES**

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

Paragraph 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires particulars of the authorized debentures of us and our subsidiaries to be disclosed in this document.

We have identified 17 entities as our Significant Subsidiaries. For further details, see “History and corporate structure — History and development — Significant Subsidiaries” in this document. We had more than 300 subsidiaries as of December 31, 2020. We believe that it would be unduly burdensome for us to disclose this information in respect of all of our subsidiaries as we would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors. We are of the view that all material information necessary for investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such, the non-disclosure of such information will not prejudice the interests of investors.

The Significant Subsidiaries include all of our subsidiaries that meet the financial threshold for “significant subsidiaries” under Regulation S-X in the U.S. (*i.e.* contributing more than 10% of the Group’s total assets and income) and are representative of our business (including those that hold major assets and intellectual property rights of the Group). None of the non-Significant Subsidiaries is individually material to us in terms of its contribution to our total net income or total assets or total revenues or profits or holds any major assets and intellectual property rights. By way of illustration, the Significant Subsidiaries (together with their controlled entities) accounted for, in aggregate, (i) approximately 87% and 97% of the total assets of the Company’s subsidiaries as at December 31, 2019 and 2020, respectively; (ii) approximately 82% of the net income of the Group for the year ended December 31, 2019, while the Group recorded a net loss for the year ended December 31, 2020 and (iii) approximately 78% and 89% of the total revenues of the Group for the years ended December 31, 2019 and 2020. As such, we have disclosed the particulars of the changes in our share capital and the Significant Subsidiaries in “Statutory and general information — Further information about us” in Appendix IV to this document, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of the Significant Subsidiaries and our Company are set out in “Statutory and general information — Other information — Miscellaneous” in Appendix IV to this document.

We have applied for, and the SFC has granted, an exemption from strict compliance with the requirements under paragraphs 11, 14 and 25 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The above SFC exemption shall be on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before April 8, 2021.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the Hong Kong Stock Exchange to us from the requirements under paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

## DISCLOSURE REQUIREMENTS OF OPTIONS

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

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

We and our subsidiaries may, from time to time, adopt equity incentive plans. Our Company's plans include: (a) the 2007 Share Incentive Plan adopted in 2007 and which expired in 2017 (the "**2007 Plan**"), and (b) the Global Share Incentive Plan adopted in June 2017, for the maximum issue of aggregate number of ordinary shares that may be issued pursuant to awards was 100,877,248, after accounting for the Share Subdivision, as of the first business day of 2021, with annual increases on January 1 of each subsequent calendar year by the number of ordinary shares representing 3% of our then total issued and outstanding share capital as of December 31 of the preceding year until the termination of the plan. (the "**Second A&R Global Plan**" together the "**Share Incentive Plans**").

These Share Incentive Plans are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules and the SFC has granted a partial exemption from strict compliance with Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO). The Share Incentive Plans allow us and our subsidiaries to grant awards (including options) to employees, directors and consultants.

Details of the 2007 Plan and the Second A&R Global Plan are disclosed in "Directors and senior management — Compensation — Employees' Share Incentive Plans" in this document. The disclosure is substantially the same as those in our 20-F filings and comply with applicable U.S. laws and regulations.

Under the 2007 Plan and the Second A&R Global Plan, options to purchase 56,310,616 shares and 860,440 restricted share units were issued and outstanding as of February 28, 2021, after accounting for the Share Subdivision, respectively representing 9.4% and 0.1% of the Company's issued and outstanding Share as of February 28, 2021. The full exercise of these outstanding options under the Share Incentive Plans would dilute our Shareholders by approximately 8.6%, based on the outstanding Shares in issue as of February 28, 2021.

One of our Significant Subsidiaries also has an option plan, the maximum dilution effect at the subsidiary level is 12% of the equity share capital of the Significant Subsidiary. None of our Company's directors or executive officers hold any outstanding options of such Significant

Subsidiary. We are not required to disclose further details about the option plan of such Significant Subsidiaries, or other share incentive plans, in our 20-F filings or pursuant to applicable U.S. laws and regulations.

The current disclosure in this document is substantially the same as those in our 20-F filings and comply with applicable U.S. laws and regulations. Therefore, it does not contain all the content set out under, and is not in strict compliance with the requirements under, paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

We believe that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for us, and would not be material or meaningful to Hong Kong investors. We are of the view that all material information necessary for investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such, the non-disclosure of such information will not prejudice the interests of investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules in relation to the Share Incentive Plans and the Group's other share option schemes to the extent not strictly met by the current disclosure in this document.

We have applied for, and the SFC has granted, an exemption for paragraph 10 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the Share Incentive Plans to the extent not strictly met by the current disclosure in this document. The SFC exemption referred to above shall be granted on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before April 8, 2021.

## **DISCLOSURE OF INFORMATION ON SUBSIDIARIES WHOSE PROFITS OR ASSETS MAKE MATERIAL CONTRIBUTIONS TO US**

Paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules and paragraph 29 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require this document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by us, or whose profits or assets make, or will make, a material contribution to the figures in the Accountant's Report or the next published accounts.

We are of the view that all material information necessary for investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group has been disclosed in this document, and as such, the non-disclosure of such information will not prejudice the interests of investors.

We believe that it would be unduly burdensome for us to procure this information for the reasons as set out in “— Particulars of any Commissions, Discounts and Brokerages, Alterations of Capital and Authorized Debentures” above. As such, only the particulars in relation to the Significant Subsidiaries are set out in “History and corporate structure — History and development — Significant Subsidiaries” and “Statutory and general information — Further information about us” in Appendix IV to this document, which should be sufficient for potential investors to make an informed assessment of us in their investment decisions.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

We have applied for, and the SFC has granted, an exemption from strict compliance with the requirements under paragraph 29 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, to the extent not strictly met by the current disclosure in this document. The SFC exemption referred to above shall be granted on the conditions that: (i) the particulars of such exemption are set out in this document; and (ii) this document will be issued on or before April 8, 2021.

## **DISCLOSURE REQUIREMENTS OF THE REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WHOSE EMOLUMENTS WERE HIGHEST**

Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires this document to include information in respect of directors’ emoluments during the three financial years ended December 31, 2018, 2019 and 2020. Paragraph 46(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires this document to include the aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer in respect of the last completed financial year, and paragraph 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires information in relation to an estimate of the aggregate remuneration and benefits in kind payable to directors in respect of the current financial year to be set out in this document.

Paragraph 33(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires this document to include information with respect to the five individuals whose emoluments were highest in the group for the year if one or more individuals whose emoluments were the highest have not been included under paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules.

The aggregate fees, salaries and benefits paid and accrued to our directors and executive officers as a group are disclosed in “Directors and senior management — Compensation — Compensation of our directors and executive officers” in this document. We confirm that the current disclosure complies with U.S. annual reporting requirements and is in line with our disclosure in our annual reports on Form 20-F.

We believe that additional disclosure required by paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules would be unduly burdensome and the non-disclosure of such information will not prejudice the interests of the investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from the Hong Kong Stock Exchange to us from strict compliance with the requirements under paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

## **DISCLOSURE OF INTERESTS INFORMATION**

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

The U.S. Exchange Act and the rules and regulations promulgated thereunder require disclosure of interests by shareholders that are broadly equivalent to Part XV of the SFO. Relevant disclosure in respect of the substantial shareholder's interests can be found in "Major Shareholders" in this document.

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

- (a) the SFC granting us and our shareholders a partial exemption from strict compliance with Part XV of the SFO;
- (b) our undertaking to file with the Hong Kong Stock Exchange, as soon as practicable, any declaration of shareholding and securities transactions filed with the SEC; and
- (c) our undertaking to disclose in present and future listing documents any shareholding interests as disclosed in an SEC filing and the relationship between our directors, officers, members of committees and their relationship to any controlling shareholders (if any).

## **RULES RELATED TO SPIN-OFF LISTINGS**

Rule 19C.11 of the Hong Kong Listing Rules provides that, among other things, paragraphs 1 to 3(b) and 3(d) to 5 of Practice Note 15 to ("**Practice Note 15**") the Hong Kong Listing Rules do not apply to a Qualifying Issuer that has, or is seeking, a secondary listing on the Hong Kong Stock Exchange. This exception is limited to circumstances where the spun-off assets or businesses are not to be listed on the Hong Kong Stock Exchange's markets and the approval of shareholders of the parent company ("**Parent**") is not required. Paragraph 3(b) of Practice Note 15 provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the Parent, because the original listing of the Parent will have been approved on the basis of the Parent's portfolio of businesses at the time of listing, and the expectation of investors at that time would have been that the Parent would continue to develop those businesses.

We, from time to time, considers different opportunities to bring value to our shareholders, including spinning off any of our business subsidiaries when they have reached a desirable level of maturity. The exact timing of any potential spin-off would depend on the development of each of the business subsidiaries and market conditions. In some cases, it is possible that a spin-off within three years of the Listing may be appropriate. As of the Latest Practicable Date, we have not identified any target for a potential spin-off and accordingly, there is no material omission of any information relating to any possible spin-off in this document. Any potential spin-offs by us will be subject to compliance with all applicable requirements under the Hong Kong Listing Rules, including Practice Note 15, unless otherwise waived by the Hong Kong Stock Exchange.

No shareholders' approval with respect to a potential spin-off will be required under our Articles under applicable U.S. regulations and Nasdaq rules. Further, as we are a Grandfathered Greater China Issuer and therefore exempt from the requirements under Chapter 14 of the Hong Kong Listing Rules pursuant to Rule 19C.11, no shareholders' approval will be required under the Hong Kong Listing Rules as well.

The effect of a spin-off to our shareholders should be the same regardless of whether or not the businesses to be potentially spun-off are to be listed on the Hong Kong Stock Exchange (save with respect to any preferential rights to subscribe for shares that are commonly provided in spin-offs on the Hong Kong Stock Exchange). Given the fact that certain spin-offs by Grandfathered Greater China Issuers are allowed within three years after their listing in Hong Kong pursuant to Rule 19C.11 of the Hong Kong Listing Rules, we believe that the three-year restriction on spin-offs on the Hong Kong Stock Exchange should also be waived and shall not apply to a potential spin-off by us.

We and any subsidiary in respect of which a potential spin-off is contemplated will be subject to compliance with all other applicable requirements under the Hong Kong Listing Rules, including the remaining requirements of Practice Note 15 and the applicable listing eligibility and suitability requirements under the Hong Kong Listing Rules, unless otherwise waived by the Hong Kong Stock Exchange.

Under U.S. securities laws and Nasdaq rules, we are not subject to any restrictions similar to the three-year restriction under paragraph 3(b) of Practice Note 15 in relation to the spin-offs of our businesses, nor is there any requirement for us to disclose any details of our potential spin-off entities when such information is not available because of the absence of any concrete spin-off plan.

Our directors owe fiduciary duties to us, including the duty to act in what they consider in good faith to be in the best interests of us; as such they will only pursue a potential spin-off if there are clear commercial benefits both to us and the entity to be spun off; and the directors will not direct us to conduct any spin-off if they believe it will have an adverse impact on the interests of our shareholders.

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

- (a) we will not within three years after the Listing spin off any of our businesses until it confirms with the Hong Kong Stock Exchange with basis that the potential spin-off would not render us, excluding the business to be spun off, failing to meet the eligibility and suitability

requirements under Rules 19C.02 and 19C.05 of the Hong Kong Listing Rules based on the financial information of the business to be spun off at the time of the Listing, and where more than one business is to be spun off, the assessment will be made on a cumulative basis;

- (b) we will disclose in this document our intention relating to any potential spin-off within three years after the Listing and the risks relating to the uncertainty and timing of any potential spin-offs (see “Risk factors — Risks Relating to Our Shares, Our ADSs, and the Listing — We are exposed to risks associated with the potential spin-off of one or more of our businesses” in this document);
- (c) any potential spin-offs by us will be subject to the requirements of Practice Note 15 (other than paragraph 3(b) thereof), including that each of us and the business to be spun off will satisfy the applicable listing eligibility and suitability requirements on a standalone basis; and
- (d) disclosure of this waiver in this document.

## **TIMING REQUIREMENT OF LIQUIDITY AND INDEBTEDNESS DISCLOSURE**

Paragraph 32 of Part A of Appendix 1 to the Hong Kong Listing Rules requires a listing document to include a statement (or an appropriate negative statement) of a new applicant’s indebtedness as at a specified most recent practicable date (the “**Most Recent Practicable Date**”), and a commentary on our liquidity, financial resources and capital structure (together, the “**Liquidity and Indebtedness Disclosure**”).

In accordance with Hong Kong Stock Exchange’s Guidance Letter HKEX-GL37-12 (“**GL37-12**”), the Hong Kong Stock Exchange normally expects that the Most Recent Practicable Date for the Liquidity and Indebtedness Disclosure, including, among other things, commentary on liquidity and financial resources such as net current assets (liabilities) position and management discussion on this position, in a listing document to be dated no more than two calendar months before: (a) the date of the application proof of this document and (b) the final date of this document.

As this document is expected to be published in April 2021, we would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than February 2021 pursuant to GL37-12. This document includes an accountant’s report incorporating the audited consolidated financial information of the Group for the three years ended December 31, 2020. We have also included liquidity and indebtedness disclosures as at January 31, 2021.

Under applicable U.S. regulations and Nasdaq rules, we are required to announce quarterly results, and in light of such experiences, it would be unduly burdensome for us to prepare similar liquidity and indebtedness disclosure on a consolidated basis dated no more than two calendar months before the final date of this document. We had, as of December 31, 2020, more than 300 subsidiaries located in multiple jurisdictions, including China, the UK and across Europe and southeast Asia and a large number of third-party lenders, each of which results in additional time required to prepare liquidity and indebtedness disclosure. It is also noted that in light of the severity of the ongoing COVID-19 pandemic, there remain restrictions of varying degrees in force in China, the UK and other jurisdictions to combat the COVID-19 pandemic, which further delay work to prepare liquidity and indebtedness disclosure.



In any event, if there are any material changes to the December 31, 2020 or the January 31, 2021 disclosures, we would be required to make an announcement pursuant to U.S. regulations and Nasdaq rules and disclose relevant material facts in this document pursuant to the Hong Kong Listing Rules.

In the event that there is no material change to such disclosures, any similar disclosures made pursuant to GL37-12 would not give additional meaningful information to investors.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the timing requirement for the Liquidity and Indebtedness Disclosure in this document under GL37-12, such that the reported date of indebtedness and liquidity information in this document will not exceed the requirement under GL37-12 by one calendar month (i.e. the time gap between the reported date of our indebtedness and liquidity information and the date of this document would be no more than three calendar months).

## **DISCLOSURE OF OFFER PRICE**

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

Our ADSs have been listed and traded on Nasdaq since 2003. The Hong Kong Offer Price will be determined by reference to, among other factors, the closing price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date. We have no control over the market price of our ADSs traded on Nasdaq.

As our ADSs will continue to be traded on Nasdaq, setting a fixed price or a price range with a low end of International Offer Price or Hong Kong Offer Price may adversely affect the market price of the ADSs and the Hong Kong Offer Shares.

For the information of the potential investors, we will disclose the historical prices of our ADSs and trading volume on Nasdaq for the period from January 1, 2020 up to the Latest Practicable Date in “Structure of the Global Offering — Pricing and Allocation — Determining the Offer Price” of this document.

A maximum Hong Kong Offer Price will be disclosed in this document and the Green Application Form. This alternative disclosure approach would not prejudice the interests of the investing public in Hong Kong.

Given in no circumstances will the Hong Kong Offer Price be greater than the maximum International Offer Price as stated in this document and the Green Application Form, the disclosure of the maximum Hong Kong Offer Price in this document shall constitute sufficient disclosure of the “amount payable” on application and allotment on the Offer Shares and hence, shall be in compliance with the disclosure requirement under the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

On the basis of the above, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 15(2)(c) of Part A of Appendix I to the Hong Kong Listing Rules so that we will only disclose the maximum Hong Kong Offer Price for the Hong Kong Offer Shares in this document.

## CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 to the Hong Kong Listing Rules (“**Paragraph 4.2**”) requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraph 4.2 in relation to the Global Offering the “**Clawback Waiver**”), provided the initial allocation of Shares under the Hong Kong Public Offering shall not be less than 7.0% of the Global Offering, in the event of over-subscription, the Joint Representatives shall apply clawback mechanism as set out below following the closing of the application lists with reference to the final offering size of the Global Offering (assuming the Over-allotment Option is not exercised) based on the offer price determined on the Price Determination Date.

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

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 40 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 3,479,950 Shares, representing approximately 11.0% of the Offer Shares initially available under the Global Offering;
- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 40 times or more but less than 60 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 4,429,000 Shares, representing approximately 14.0% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 60 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 8,858,000 Shares, representing approximately 28.0% of the Offer Shares initially available under the Global Offering.

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

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

See “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” for further details.

## **NOT A PUBLIC COMPANY IN HONG KONG UNDER THE TAKEOVERS CODE**

Section 4.1 of the Introduction to the Takeovers Code provides that the Takeovers Code applies to “public companies in Hong Kong.” The note to Section 4.2 of the Introduction to the Takeovers Code provides that a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Hong Kong Listing Rules with a secondary listing on the Hong Kong Stock Exchange will not normally be regarded as a public company in Hong Kong under section 4.2 of the Introduction to the Takeovers Code. Where the bulk of trading in the shares of a Grandfathered Greater China Issuer migrates to Hong Kong such that it would be treated as having a dual-primary listing in Hong Kong pursuant to Rule 19C.13 of the Hong Kong Listing Rules, the Takeovers Code will apply to it.

We have applied for, and the SFC has granted, a ruling that our Company is not a “public company in Hong Kong” for the purposes of the Takeovers Codes.

## **DISCLOSURE OF INTERESTS UNDER PART XV OF THE SFO**

Part XV of the SFO imposes duties of disclosure of interests in the securities of companies whose securities are listed on the Hong Kong Stock Exchange on the relevant company, its substantial shareholders and its directors/chief executives. Under the U.S. Exchange Act, which we are subject to, any person (including directors and officers of the company concerned) who acquires beneficial ownership, as determined in accordance with the rules and regulations of the SEC and which includes the power to direct the voting or the disposition of the securities, of more than 5% of a class of equity securities registered under Section 12 of the U.S. Exchange Act must file beneficial owner reports with the SEC, and such person must promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply. Therefore, compliance with Part XV of the SFO would subject our corporate insiders to a second level of reporting, which would be unduly burdensome to them, would result in additional costs and would not be meaningful, since the statutory disclosure of interest obligations under the U.S. Exchange Act that apply to us and our corporate insiders would provide our investors with sufficient information relating to the shareholding interests of our significant shareholders.

We have applied for, and the SFC has granted, an exemption from Part XV of the SFO (other than Divisions 5, 11 and 12) on the following conditions:

- (a) the bulk of trading in the Shares is not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Hong Kong Listing Rules;
- (b) all the disclosures of interest filed in the SEC are also filed with the Hong Kong Stock Exchange as soon as practicable, which will then publish such disclosures in the same manner as disclosures made under Part XV of the SFO; and
- (c) the Company will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of the Company's worldwide share turnover that takes place on the Hong Kong Stock Exchange.