

2021 LETTER TO SHAREHOLDERS

To our shareholders:

In September 2015, Pinduoduo (NASDAQ: PDD) was founded to fill the gap left by the e-commerce industry in China by fusing the "e-commerce + social" model. Within only six years, PDD successfully became an e-commerce "unicorn", the third largest e-commerce platform in China today. With the effort made by all of the PDD stakeholders, PDD achieved a 12.79% market share; the total revenue growth rate remains more than the sum of JD.com (NASDAQ: JD) and Alibaba (includes Tmall and Taobao) these years. Besides, our cost of gaining new customers (average customer acquisition cost) is lower than our main competitors, Alibaba and JD.com., and our 7-Day Consumer Retention Rate is also the highest among the e-commerce competitors, at 77.30%.

At the end of 2019, people started facing the Covid 19 challenge globally. This global pandemic is a crisis, an opportunity, and it was also one of the biggest challenges to us. Consumer behavior started shifting to online shopping, and this led to e-commerce blossoming. The average time users spend on e-commerce apps increased. The average time users spent on the PDD app increased from 234.2 minutes per month to 355 minutes per month. As a startup, we faced the challenge of filling the gap of live streaming. As the data shows, the transaction value of e-commerce and live streaming e-commerce sales are increasing annually. From 2017 until 2020, the transaction value of e-commerce grew 98.1%, from 19 billion CNY to 1000 billion CNY. Chinese live-streaming e-commerce sales drove from 2.7 billion USD in 2017 to 161.98 billion USD in 2020. Live streaming is a popular trend now, and it is a potential market. Compared to our competitors who already have mastery in live streaming, as a later enter player, we should put more effort into this industry to increase our revenue by increasing our live streaming user rate.

Another challenge we are facing now is that our volume of parcels reached 19.7 billion in 2019, which took up one-third of China's annual parcels. Thus, we need to improve the logistics capability to meet the increased amount of parcels. Moreover, the demographics data shows that 22.7% of our target customers mainly come from tier 3 and 21.5% come from tier 4 cities; the costs of shipping products to customers can increase. Unlike our competitors Alibaba and JD.com, which already had their logistics, we partnered with the logistics company, but we do not have our own logistics systems. This could be a limitation for us. Building a fully independent and autonomous logistics system is what we should work on.

As the data shows, PDD's penetration rate increased 13% within one year, from 37.3% in June 2019 to 50.3% in June 2020. This means PDD reached more potential customers. It indirectly leads to the growth of the business, which PDD's Gross Merchandise Value Growth Rate is much more than Alibaba and JD.com. These are the advantages for us to attract more merchants and influencers to our platforms. In the short run, it will be beneficial to our live streaming industry. Also, in the long run, it will remain or increase our monetization rate.

Here, I wanna use a quote from Friedrich Wilhelm Nietzsche, "What does not kill makes me stronger." We survived this Covid 19 challenge and caught this opportunity. These data show monthly active users (MAU), penetration rate, monetization rate, growth merchandise value, etc. We know that we have competitive advantages. At the same time, we also realized that there are two aspects of live streaming and logistics we should focus on. Here are my recommendations:

1. Live Streaming:

- Distribute the expense of Partner with the top Chinese influencers, like Jiaqi Li, Ya Wei. and incubating new live streaming influencers.
- Encouraging more merchants and users to become part of live streaming.
- Enhancing live streaming regulation and protecting consumer rights.

2. Logistics:

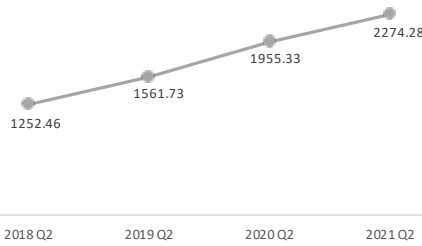
- Creating or acquiring a logistic company to build our logistic systems.
- Investing more in R&D to improve the logistical algorithm to make the delivery more efficient.

Last, it is an honor to be one of the Pinduoduo(PDD) big families. Let's work for PDD, work for our family, and work for ourselves!

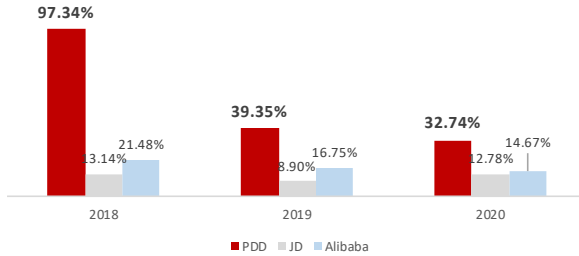
Sincere,
Mengting Lin
Business Analyst
Pinduoduo, Inc.

Chinese E-commerce Market Analysis

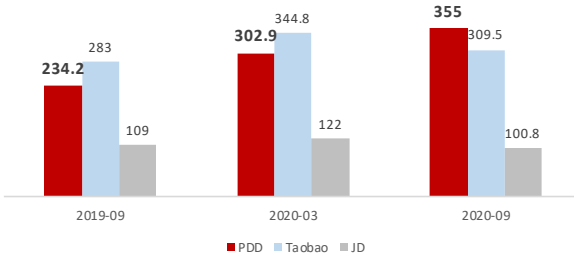
Transaction Value of E-Commerce in China (in billions CNY)



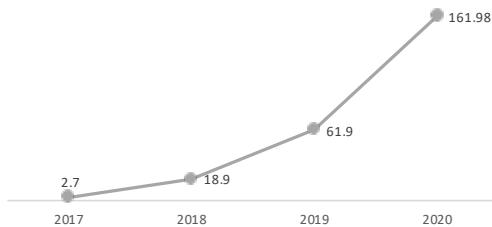
Total Revenue Growth Rate



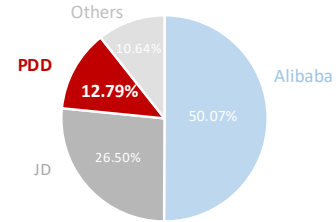
Average Monthly Time Users Spends on E-commerce App



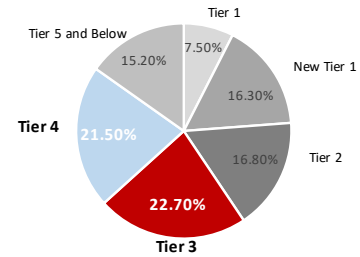
China Livestreaming E-commerce Sales (in USD billions)



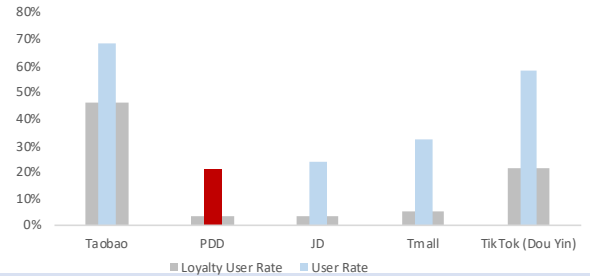
Chinese E-commerce Market share



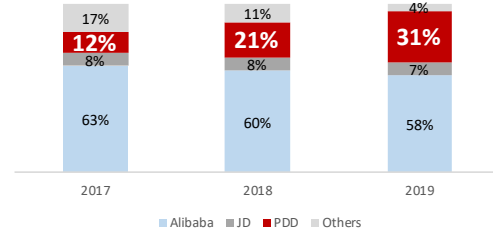
2020 PDD User Distribution in China by City Tier (%)



Live Streaming E-commerce in China



Chinese E-commerce Parcels Contribution Rate (%)



Highlight:

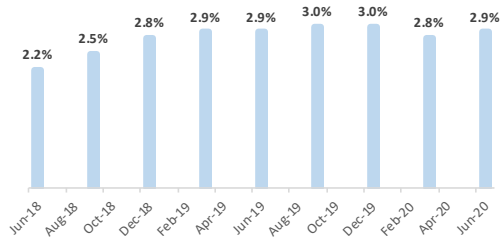
1. Livestreaming e-commerce market increase rapidly in 2019 due to Covid 19 pandemic.
2. PDD as late enter the livestreaming business, need to focus more on livestreaming.
3. PDD's parcels volume increase rapidly, since PDD is a startup, if it's logistics can meet this increasing trends is the problem we should focus on.

Recommendations:

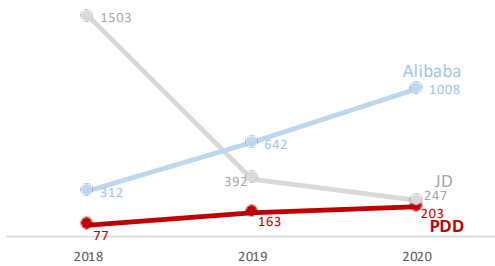
1. Creating or acquiring a logistic company to build our logistic systems.
2. Investing more in R&D to improve the logistical algorithm to make the delivery more efficient.

Pinduoduo (PDD) Metrics Analysis

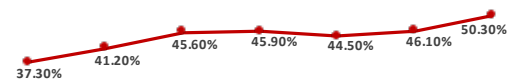
PDD Monetization Rate (% LTM)



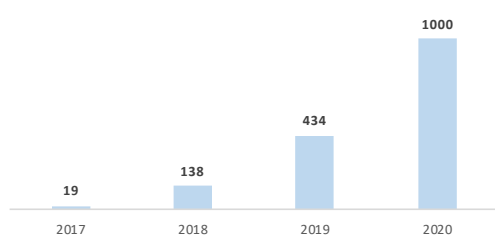
Average Customer Acquisition Cost (in CNY)



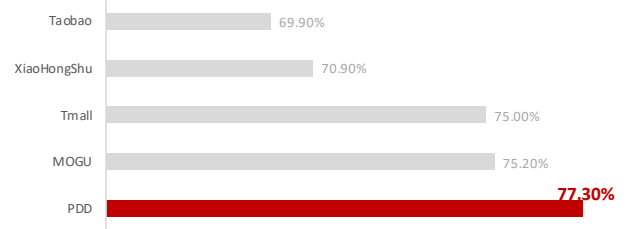
PDD Penetration Rate (%)



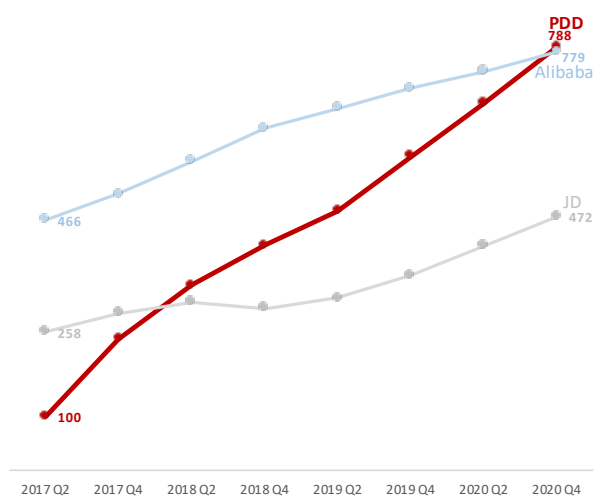
Live E-commerce Gross Merchandise Value (in billions CNY)



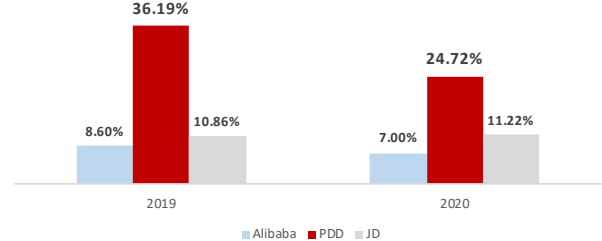
Chinese E-commerce 7-Day Customer Retention Rate (%)



Monthly Active Users (MAU) in millions



Gross Merchandise Value Growth Rate



Highlights:

1. PDD's penetration rate increased 13% within one year, from 37.3% in June 2019 to 50.3% in June 2020. This means PDD reached more potential customers.
2. PDD's average customer acquisition cost is lower than our main competitors, Alibaba and JD.com.
3. 7-Day Consumer Retention Rate is the highest among the e-commerce competitors, at 77.30%.
4. PDD performs well in number of monthly active users (MAU), and MAU growth rate.

Recommendations:

1. Distribute the expense to partner with the top Chinese influencers, like Mutong Niu and incubating new live streaming influencers.
2. Lower the threshold to encouraging more merchants and users to become part of live streaming.
3. Enhancing live streaming regulation and protecting consumer rights.