

知乎

Zhihu Inc.

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

Stock Code : 2390

GLOBAL OFFERING



Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Co-Manager



IMPORTANT

Important: If you have doubt about any of the contents in this prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares Under the Global Offering	: 26,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 2,600,000 Sale Shares (subject to reallocation)
Number of International Offer Shares	: 23,400,000 Sale Shares (subject to reallocation and the Over-allotment Option)
Maximum Public Offer Price	: HK\$51.80 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.005% and the FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal Value	: US\$0.000125 per Share
Stock Code	: 2390

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers Co-Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and on Display—Documents Delivered to the Registrar of Companies" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Public Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves on behalf of the Underwriters), the Selling Shareholders and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, April 14, 2022 and, in any event, not later than Sunday, April 17, 2022. The Public Offer Price will be not more than HK\$51.80 unless otherwise announced. If, for any reason, the Public Offer Price is not agreed by Sunday, April 17, 2022 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholders and the Company, the Global Offering will not proceed and will lapse.

We may set the International Offer Price at a level higher than the maximum Public Offer Price if (i) the Hong Kong dollar equivalent of the closing trading price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Public Offer Price as stated in this prospectus and/or (ii) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the bookbuilding process. If the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will the Public Offer Price be set above the maximum Public Offer Price as stated in this prospectus or the International Offer Price.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the Company and the Selling Shareholders' consent, reduce the number of Offer Shares being offered under the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus.

The Company is controlled through weighted voting rights. Prospective investors should be aware of the potential risks of investing in a company with a WVR structure, in particular that the WVR Beneficiary, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of Shareholders' resolution. For further information about the risks associated with our WVR structure, please refer to the section headed "Risk Factors—Risks Relating to the Global Offering and the Dual Listing." Prospective investors should make the decision to invest in the Company only after due and careful consideration.

The ADSs of the Company, two of which represent one Class A Ordinary Share, are listed for trading on the New York Stock Exchange under the symbol "ZH." The last reported sale price of the ADSs on the New York Stock Exchange on April 6, 2022 (U.S. Eastern Time) was US\$2.85 per ADS. In connection with the Global Offering, we have filed a shelf registration statement on Form F-3 and a preliminary prospectus supplement and plan to file a final prospectus supplement with the SEC to register the sale of Shares under the U.S. Securities Act.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering pursuant to Rule 12.11 of the Listing Rules. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at ir.zhihu.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

April 11, 2022

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences	9:00 a.m. on Monday, April 11, 2022
Latest time for completing electronic applications under the White Form eIPO service through the designated website at www.eipo.com.hk	11:30 a.m. on Thursday, April 14, 2022
Application lists open ⁽³⁾	11:45 a.m. on Thursday, April 14, 2022
Latest time for (a) completing payment for the White Form eIPO applications by effecting Internet banking transfer(s) or PPS payment transfer(s) and (b) giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, April 14, 2022
Application lists close ⁽³⁾	12:00 noon on Thursday, April 14, 2022
Expected Price Determination Date ⁽⁵⁾	Thursday, April 14, 2022
Announcement of the Public Offer Price and the International Offer Price on or around	Thursday, April 14, 2022
Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at ir.zhihu.com ⁽⁶⁾ on or before ⁽¹⁰⁾	Thursday, April 21, 2022
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares —D. Publication of Results" in this prospectus	Thursday, April 21, 2022

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public

Offering will be available at www.iporesults.com.hk

(alternatively: English <https://www.eipo.com.hk/en/Allotment>;

Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)

with a “search by ID” function from 8:00 a.m. on
Thursday, April 21, 2022
to 12:00 midnight on
Wednesday, April 27, 2022

Results of allocations in the Hong Kong Public Offering

will be available from the allocation results telephone

enquiry by calling +852 2862 8555 between 9:00 a.m.

and 6:00 p.m. from Thursday, April 21, 2022
to Tuesday, April 26, 2022
(excluding Saturday, Sunday or
public holiday in Hong Kong)

Dispatch/collection of Share certificates or deposit of the

Share certificates into CCASS in respect of wholly or

partially successful applications pursuant to the

Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾ Thursday, April 21, 2022

Dispatch/collection of refund cheques and **White Form eIPO**

e-Refund payment instructions in respect of wholly or

partially successful applications (if applicable) or

wholly or partially unsuccessful applications pursuant to

the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Thursday, April 21, 2022

Dealings in the Class A Ordinary Shares on the Stock Exchange

expected to commence at 9:00 a.m. on
Friday, April 22, 2022

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, April 14, 2022, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares—C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares—A. Applications for Hong Kong Offer Shares—6. Applying by giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Thursday, April 14, 2022 and, in any event, not later than Sunday, April 17, 2022. If, for any reason, the Public Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholders and us by Sunday, April 17, 2022, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Grounds for Termination” in this prospectus has not been exercised. Investors who trade the Class A Ordinary Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Public Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number may invalidate or delay encashment of the refund cheque. Further information is set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus. Applicants who apply through the **White Form eIPO** service and paid their applications monies through a single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **White Form eIPO** Services Provider, in the form of refund cheques, by ordinary post at their own risk.
- (9) Applicants who have applied through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, April 21, 2022 or such other date as notified by our Company on the website of our Company at ir.zhihu.com and on the website of the Stock Exchange at www.hkexnews.hk as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection. Applicants who have applied for Hong Kong Offer Shares through the **CCASS eIPO** service should refer to the section headed “How to Apply for Hong Kong Offer Shares—G. Despatch/Collection of Share Certificates and Refund Monies—Personal Collection—(ii) If you apply via Electronic Application Instructions to HKSCC” in this prospectus for details. Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk. Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares—F. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares—G. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full prospectus. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

The entire Offer Shares are comprised of Sale Shares to be sold by the Selling Shareholders in the Global Offering. The historical average cost of one of the Selling Shareholders for acquiring this Selling Shareholder’s Sale Shares may be higher than the Public Offer Price.

As we will not receive any of the net proceeds from the Global Offering, the Global Offering will neither provide us with additional cash flow nor improve our liquidity position. See “Risk Factors—Risks Relating to Our Business and Industry—We have incurred net loss and negative operating cash flow in the past, which may continue in the future.”

OVERVIEW

Zhihu is a leading online content community where people come to find solutions, make decisions, seek inspiration, and have fun. Zhihu is one of the top five comprehensive online content communities and the largest Q&A-inspired online community in China, both in terms of average mobile MAUs and revenue in 2019, 2020, and 2021, according to CIC.

On Zhihu, our users explore and enjoy content that broadens horizons, provides solutions, and resonates with minds, which we refer to as “fulfilling content” (有獲得感的內容), ranging from daily life choices such as the television or mobile phone, an inspirational holiday hide-away, a puzzle book, or a reality show, to sophisticated knowledge or unique experience such as learning about the Tiangong space station or visiting a 2022 Winter Olympics venue, and to bigger decisions such as a college or a good exam preparation program, career choices, or managing a relationship or expecting a baby. A full spectrum of our comprehensive content appeals to an ever growing user base and content creators, who have come to Zhihu to share their knowledge, experience, and insights.

SUMMARY

Zhihu is a leading online content community. In the fourth quarter of 2021, Zhihu had 99.6 million average mobile MAUs, 500 million average monthly viewers, and 390 million average monthly engagements. As of December 31, 2021, Zhihu had 55 million cumulative content creators, who had contributed 420 million cumulative Q&As covering over 1,000 verticals. Our revenue increased from RMB670.5 million in 2019 to RMB1.4 billion in 2020, and further to RMB3.0 billion (US\$464.4 million) in 2021, representing a CAGR of 110.1% from 2019.

Launched in 2010, we have been dedicated to expanding our content and service offerings to meet the diverse needs of our users, content creators, and business partners. A content-centric business model has been formed during our development and continues to evolve. We have grown from a Q&A community into one of the largest comprehensive online content communities in China. We are among the first several industry players to offer paid memberships and developed content-commerce solutions for merchants and brands, according to CIC. We continue to leverage our content-centric business model and launch new monetization channels such as offering vocational training and e-commerce related services. However, we believe that we are still at an early stage of monetization with significant runway for growth across a span of monetization channels.

The Zhihu model is centered around a virtuous cycle that seeks to achieve a content equilibrium between what our content creators contribute and what our users consume. We continually reinforce Zhihu with its technological foundation and we seek to achieve optimal monetization and deliver value to our shareholders and other stakeholders.

Our users and content creators actively interact with each other and share knowledge, experience, and insights, forming a content ecosystem spanning a wide range of verticals and topics across diverse content forms. Our deep content and user insights play an essential role in optimizing user experience and maintaining robust community governance, which reinforces our community culture of sincerity, expertise, and respect (認真、專業、友善). Our community culture and strong brand further strengthen our content ecosystem, which attracts and retains more users and content creators to our community. Our superior technology infrastructure supports our business in various aspects, from understanding our users and content quality, promoting fulfilling content and user engagement, nurturing our community, to enhancing our content and service offerings and forging a strong brand. As we continue to enhance user experience and serve our users, content creators, and business partners, we have established diverse and expanding content-centric monetization channels. This self-reinforcing cycle has been emerging with our growth and solidifying our leaderships.

- ***Our Content.*** We relentlessly strive to enhance the depth, breadth, and relevance of the Zhihu content through better understanding of our content creators and deeper comprehension of the Zhihu content. Leveraging our years of accumulation of the Zhihu content, we consider content that broadens horizons, provides solutions, and resonates with minds to be “fulfilling content.” We strive to understand why such content is fulfilling through our evolving and developing technological capabilities so that we can maintain and further enhance the fulfillment of the Zhihu content. We

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believe that this “fulfillness” approach that helps us better comprehend our content, combined with our TopicRank algorithms that help us better comprehend content through the understanding of content creators, could deepen our capability to manage our content operations. As of December 31, 2021, our community had 490 million cumulative pieces of content, including 420 million cumulative Q&As, covering over 1,000 verticals and 1.8 million topics. From time to time, we launch various initiatives and campaigns to further enhance the depth, breadth, and relevance of the Zhihu content. For example, we seek to become a popular destination for timely content inviting in-depth discussion of trending events, which further encourages a high level of content creation and user engagement.

- ***Our Users.*** We have amassed a fast growing, diverse, and highly engaged user base. Zhihu had 99.6 million average mobile MAUs in the fourth quarter of 2021, representing a 38.1% year-over-year increase. Our content has enabled us to expand our user base rapidly at low cost, while maintaining high user engagement and loyalty. In the fourth quarter of 2021, our daily active users opened the Zhihu app an average of approximately 6 times per day and generated 390 million average monthly engagements. For our YanPlus users, the average 12th-month retention rate in 2020 was 73%.
- ***Our Content Creators.*** The Zhihu brand has inspired our users to contribute and become content creators. We provide multiple tools and utilities for content creators to contribute to our community. In return, content creators can have fulfilling experience in their creative works, receive recognition in our community and beyond, and be rewarded financially through multiple channels. Our cumulative content creators reached 55 million as of December 31, 2021. In the fourth quarter of 2021, Zhihu had 2.7 million average monthly active content creators, and 13 million average monthly pieces of content were created. Our users and content creators complement each other, sharing their collective intelligence to create a marketplace of answers.
- ***Our Community.*** Through years of content operations, we have cultivated a community culture of sincerity, expertise, and respect (認真、專業、友善). We have established and been iterating a set of community governance system overseen and implemented by our experienced community management team. Equipped with our proprietary know-how and AI-powered content assessment algorithms, our community management team promptly and effectively identifies and responds to inappropriate content to enhance user experience and maintain community culture. In addition, we enable users to safeguard an open and inclusive environment through content quality improvement process and dispute review process. By optimizing user experience, our community fosters a healthy environment for vibrant content creation, which in turn strengthens our community culture.

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- ***Our Brand.*** The Zhihu brand fosters a vibrant online community where fast-growing users and content creators are eager to contribute and engage while respecting diversity and valuing constructiveness, which further optimizes our user and content creator experience. We also believe that our brand strength can help with the monetization through branded merchandise and IP monetization on the Zhihu platform. The Zhihu brand is proven instrumental in further enhancing our user growth, content quality, and monetization.
- ***Our Monetization.*** The ever-growing Zhihu content provides us with an avenue for monetization. Over time, our content-centric monetization channels have expanded to include online advertising, paid membership, content-commerce solutions, vocational training, and other services such as e-commerce related services. We are the first to have launched integrated content-commerce solutions at scale, and the largest among online content communities in terms of revenue generated from integrated content commerce solutions in 2020 and 2021, according to CIC. In addition, we are the first and remains as of the date of this prospectus the only Q&A-inspired online community to have launched a subscription-based paid membership program, and the largest in terms of paid membership revenue among Q&A-inspired online communities in 2020 and 2021, according to CIC. As we are still at an early stage of monetization, we incurred operating losses and net operating cash outflows during the Track Record Period. We plan to further improve the capabilities of our current monetization channels by improving the effectiveness of online advertising based on more accurate distribution to appropriate users and more diverse content products, expanding our premium content library for paid membership services, and providing merchants and brands with better content-centric marketing solutions and higher marketing effectiveness. We also plan to diversify our revenue streams by identifying opportunities and implementing new initiatives in content space to fulfill the needs of our users while generating commercial value for content creators and business partners. As we continue to expand the Zhihu product offerings and enhance content quality to satisfy the diverse user needs, we deepen our monetization and will continue to launch more monetization channels, enabling us to create and deliver value to our shareholders and other stakeholders.
- ***Our Technology.*** Our superior technological infrastructure supports our content operations. We are the only online Q&A community in China to adopt topic ranking algorithms to assess the quality of content based on analysis of users' credentials and community engagements, according to CIC. Our AI-powered TopicRank algorithms assess a user's credentials and engagement through, and to the extent of, all relevant information about the user available to Zhihu, including the relevance and popularity of the content, the user information voluntarily and lawfully provided to Zhihu, the content created by the user, the engagement by the user in the Zhihu community, the engagement by other users with the user in the Zhihu community, and whether the user has been recognized by Zhihu as a reputable expert in a particular field already. All users' credentials and engagements thus will be assessed

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and continually updated. We believe that our TopicRank algorithms and our “fulfillness” approach, which we are currently developing, could enhance our capability to manage content operations. Our feed recommendation and search systems are continually optimized to prioritize distribution of relevant content to enhance user experience, allowing us to recommend the most desirable content to appropriate users. Our question routing system accurately distributes questions to relevant users to encourage content creation. Our content filtering system and anti-spamming system help ensure content appropriateness and a healthy community environment.

During the Track Record Period, we achieved significant business growth yet incurred net loss and net operating cash outflow, primarily attributable to our content-related cost that helped build our rich content library, sales and marketing expenses for promotional and advertising activities, and research and development expenses to enhance technological infrastructure. Our revenue increased from RMB670.5 million in 2019 to RMB1.4 billion in 2020, and further to RMB3.0 billion (US\$464.4 million) in 2021, representing a CAGR of 110.1% from 2019. Our gross profit increased from RMB312.3 million in 2019 to RMB757.8 million in 2020, and further to RMB1.6 billion (US\$243.8 million) in 2021. Our net loss was RMB1.0 billion in 2019, RMB517.6 million in 2020, and RMB1.3 billion (US\$203.8 million) in 2021. We had net operating cash outflows of RMB715.5 million, RMB244.4 million, and RMB440.2 million (US\$69.1 million) in 2019, 2020, and 2021, respectively. We expect to continue incurring net loss and net operating cash outflow in the near future as we continue to strategically incurred expenditures to build up and expand our content ecosystem to further enhance Zhihu’s content quality and content portfolio, promote community culture and user engagement, and solidify organic growth.

OUR INNOVATIONS

The comprehensive content is continually enriched by our content creators with systematic support from our content operations, enabling us to maintain high user engagement and loyalty and further reinforcing Zhihu’s reputation as a leading online content community. We believe that our current achievement stems from our first-mover advantage and sustainable leadership position, our in-depth innovative technology that motivates the creation of content offering a sense of fulfillment and reinforcing community values and features, our pioneering content-centric monetization business model, as well as the applications of new technology that are tailored for our business model.

Since our inception, we have been committed to building a trusted online content community, and establishing our sustainable leadership position despite facing strong entry barriers leveraging our high-value and long-lasting content that offers a sense of fulfillment, together with our community culture of sincerity, expertise and respect. The users and content creators on our platform have formed a virtuous cycle of self-reinforcing, allowing us to gather the collective intelligence from tens of millions of users and content creators, forming the “collective intelligence” that provides a fulfilling Zhihu experience. We are also among the first several industry players to adopt a ground-breaking monetization model (such as

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content-commerce solutions and subscription-based paid membership program) in the online content community, according to CIC. In addition, we are the only Q&A-inspired online community in China to adopt topic ranking algorithms to assess the quality of content based on analysis of users' credentials and community engagements, according to CIC. Please refer to "Business – Our Innovations" for details.

OUR STRENGTHS

We believe that the following strengths contribute to our current achievement and differentiate us from our peers.

- Leading online content community
- Ever-growing user-generated content
- Fast growing, diverse, and highly engaged user base
- Innovative and scalable content-centric monetization
- Superior technological capability and innovation
- Visionary management team supported by talented employees

OUR STRATEGIES

We are committed to reinforcing our unique position as a leading online content community by pursuing the following strategies.

- Enhance content offerings and empower content creators
- Attract and retain our users
- Cultivate our culture and brand
- Enhance and evolve our monetization capabilities
- Strengthen our technology capabilities
- Pursue strategic investments and acquisitions

SUMMARY

WEIGHTED VOTING RIGHTS STRUCTURE AND OUR CONTROLLING SHAREHOLDERS

Our Company has a WVR Structure, or weighted voting rights structure. Each Class A Ordinary Share entitles the holder thereof to exercise one vote, and each Class B Ordinary Share entitles the holder thereof to exercise ten votes, on any resolution tabled at the Company's general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote. Immediately upon the completion of the Global Offering, the WVR Beneficiary will be Mr. Zhou, who will beneficially own an aggregate of 19,227,592 Class B Ordinary Shares and 17,626,986 Class A Ordinary Shares, representing (i) approximately 42.86% of the voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters; and (ii) approximately 11.64% with respect to shareholder resolutions relating to Reserved Matters. Mr. Zhou and the holding vehicle entities through which he holds his interest in our Company are the Controlling Shareholders of our Company after the Listing. For further details, please see "Share Capital—Weighted Voting Rights Structure" and "Relationship with the Controlling Shareholders."

Prospective investors are advised to be aware of the potential risks of investing in companies with a WVR Structure, in particular that the interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions. As we are seeking a dual primary listing as an issuer with a WVR structure, we are subject to certain shareholder protection measures and governance safeguards under the Listing Rules. Our Articles do not currently comply with some of the said Listing Rules requirements, and we undertake to put forth resolutions to amend our Articles to comply with these requirements at an extraordinary general meeting to be convened within six months following the Listing. Furthermore, we undertake to fully comply with the said requirements before our Articles are formally amended such that immediately upon the Listing, we will be subject to, and will fully comply with, such requirements as if they have already been incorporated into our existing Articles upon the Listing. For further details, please see "Waivers and Exemptions—Requirements Relating to the Articles of Association of the Company."

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us or the value of your investment. For example, we face risks relating to the growth, retention, and engagement of users and content creators as well as the continued expansion of our content portfolio, risks relating to deepening our monetization and diversifying and developing new revenue streams, risks relating to maintaining our community culture and brand, risks relating to managing our growth, profitability, and liquidity position, risks relating to compliance with fast evolving and developing regulatory requirement, risks relating to our corporate structure, which adopts certain Contractual Arrangements, and risks relating to implications of overseas regulatory

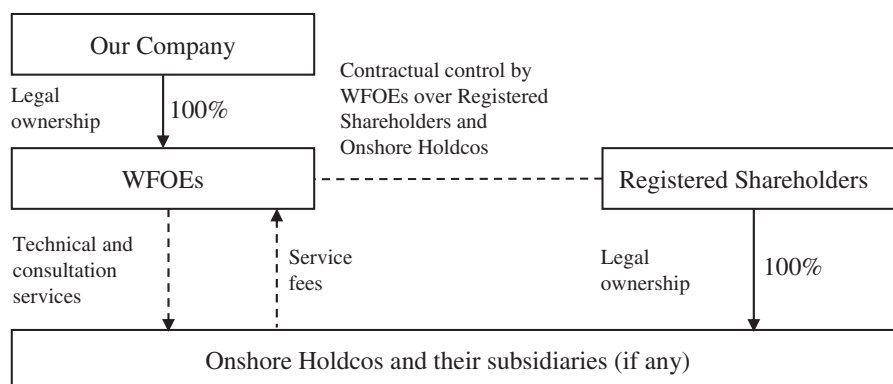
SUMMARY

requirements including compliance with applicable securities laws and regulations. See “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares.

CONTRACTUAL ARRANGEMENTS

Our Company operates or may operate in certain industries that are subject to restrictions under current PRC laws and regulations. In order to comply with such laws, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through certain Contractual Arrangements. Hence, we do not directly own any controlling equity stake in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, we have effective control over the financial and operational policies of our Consolidated Affiliated Entities and are entitled to all the economic benefits derived from the Consolidated Affiliated Entities’ operations. For further details, please see “Contractual Arrangements.”

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Company stipulated under the Contractual Arrangements:



Please see “Risk Factors—Risks Relating to Our Corporate Structure” and “Contractual Arrangements—Development in PRC Legislation on Foreign Investment” for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information for the Track Record Period and as of the applicable period ends. The summary consolidated financial information set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements included in the Accountant’s Report set forth in Appendix I, including the related notes, as well as the section headed “Financial Information.” Our consolidated financial information was prepared in accordance with U.S. GAAP.

SUMMARY

Summary Consolidated Statements of Operations

The following table sets forth our summary consolidated statements of operations for the periods indicated.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Revenue	670,511	100.0	1,352,196	100.0	2,959,324	464,382	100.0
Cost of revenue	(358,241)	(53.4)	(594,399)	(44.0)	(1,405,423)	(220,542)	(47.5)
Gross profit	312,270	46.6	757,797	56.0	1,553,901	243,840	52.5
Selling and marketing expenses	(766,465)	(114.3)	(734,753)	(54.3)	(1,634,733)	(256,525)	(55.2)
Research and development expenses	(351,012)	(52.3)	(329,763)	(24.4)	(619,585)	(97,226)	(20.9)
General and administrative expenses	(253,268)	(37.8)	(296,162)	(21.9)	(690,292)	(108,322)	(23.4)
Total operating expenses	(1,370,745)	(204.4)	(1,360,678)	(100.6)	(2,944,610)	(462,073)	(99.5)
Loss from operations	(1,058,475)	(157.8)	(602,881)	(44.6)	(1,390,709)	(218,233)	(47.0)
Investment income	25,035	3.7	56,087	4.2	59,177	9,286	2.0
Interest income	28,669	4.3	24,751	1.8	31,305	4,912	1.1
Fair value change of financial instrument	7,132	1.1	(68,818)	(5.1)	27,846	4,370	0.9
Exchange (losses)/gains	(9,216)	(1.4)	62,663	4.6	(16,665)	(2,615)	(0.6)
Others, net	2,675	0.4	11,728	0.9	(4,391)	(689)	(0.1)
Loss before income tax	(1,004,180)	(149.7)	(516,470)	(38.2)	(1,293,437)	(202,969)	(43.7)
Income tax expense	(40)	(0.0)	(1,080)	(0.1)	(5,443)	(854)	(0.2)
Net loss	(1,004,220)	(149.7)	(517,550)	(38.3)	(1,298,880)	(203,823)	(43.9)

Non-GAAP Financial Measure

In evaluating our business, we consider and use adjusted net loss, a non-GAAP financial measure, to supplement the review and assessment of our operating performance. We define adjusted net loss (non-GAAP financial measure) as net loss adjusted for the impact of share-based compensation expenses of the non-GAAP adjustments, which are non-cash expenses. Share-based compensation is an important element in our compensation structure to retain and incentivize talented, high-performing employees. We believe that the non-GAAP financial measure facilitates comparisons of operating performance from period to period and company to company by adjusting for potential impacts of items. We believe that adjusted net loss (non-GAAP financial measure) provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. Our presentation of adjusted net loss (non-GAAP financial measure) may not be comparable to similarly titled measures presented by other companies. The use of the non-GAAP financial measure has limitations as an analytical tool, and you should not consider it isolation from, or as substitutes for analysis of, our results of operations as reported under the U.S. GAAP.

SUMMARY

The following table sets forth the reconciliation of adjusted net loss (non-GAAP financial measure) for the periods indicated to net loss, the nearest measure prepared in accordance with the U.S. GAAP. See “Financial Information—Non-GAAP Financial Measure.”

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net loss	(1,004,220)	(517,550)	(1,298,880)	(203,823)
Add:				
Share-based compensation expenses ⁽¹⁾	179,690	180,090	548,465	86,066
Non-GAAP financial measure:				
Adjusted net loss	(824,530)	(337,460)	(750,415)	(117,757)

Note:

- (1) For additional details of our share-based compensation expenses, see “Financial Information—Critical Accounting Policies and Estimates—Share-Based Compensation.”

Our revenue experienced significant growth during the Track Record Period, reflecting deepening monetization in all our business lines. The following table sets forth a breakdown of revenue by type both in absolute amount and as a percentage of our revenue for the periods indicated.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Revenue							
Advertising	577,424	86.1	843,284	62.4	1,160,886	182,168	39.2
Paid membership	87,997	13.1	320,471	23.7	668,507	104,903	22.6
Content-commerce solutions	641	0.1	135,813	10.0	973,986	152,840	32.9
Others	4,449	0.7	52,628	3.9	155,945	24,471	5.3
Total	670,511	100.0	1,352,196	100.0	2,959,324	464,382	100.0

SUMMARY

During the Track Record Period, we incurred loss from operations, net loss, and net operating cash outflow, primarily attributable to our content-related cost that helped build our rich content library, sales and marketing expenses for promotional and advertising activities, and research and development expenses to enhance technological infrastructure. We believe that such capital investments are indispensable to solidify organic growth in the long run. Our gross profit and gross profit margin generally increased during the Track Record Period. As we gradually emerge out of the early growth state and gain better operating efficiency, our net loss margin generally improved during the Track Record Period. See “Financial Information—Period-to-Period Comparison of Results of Operations—Operating Expenses” for details. For risks relating to our continuing loss-making in the future, see “Risk Factors—Risks Relating to Our Business and Industry—We have incurred net loss and negative operating cash flow in the past, which may continue in the future.”

Summary Consolidated Balance Sheets

The following table sets forth our summary consolidated balance sheet data as of the dates indicated.

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cash and cash equivalents	900,350	957,820	2,157,161	338,506
Term deposits	1,151,073	1,092,921	2,815,509	441,815
Short-term investments	1,492,180	1,046,000	2,239,596	351,441
Total current assets	3,901,952	3,720,166	8,334,165	1,307,813
Term deposits	—	—	159,393	25,012
Intangible assets, net	34,935	23,478	68,308	10,719
Total non-current assets	82,354	41,275	471,000	73,909
Total assets	3,984,306	3,761,441	8,805,165	1,381,722
Accounts payable and accrued liabilities	287,041	501,848	1,026,534	161,086
Salary and welfare payables	206,840	231,847	313,676	49,223
Contract liabilities	107,128	159,995	239,757	37,623
Total current liabilities	763,040	1,014,568	1,897,714	297,793
Net current assets	3,138,912	2,705,598	6,436,451	1,010,020
Total non-current liabilities	2,893	—	169,302	26,567
Total liabilities	765,933	1,014,568	2,067,016	324,360
Net assets	3,218,373	2,746,873	6,738,149	1,057,362
Total mezzanine equity	7,210,614	7,891,348	—	—
Total shareholders’ (deficit)/equity	(3,992,241)	(5,144,475)	6,738,149	1,057,362
Total liabilities, mezzanine equity and shareholders’ equity	3,984,306	3,761,441	8,805,165	1,381,722

SUMMARY

Our net current assets increased from RMB2.7 billion as of December 31, 2020 to RMB6.4 billion (US\$1.0 billion) as of December 31, 2021, primarily due to increases in term deposits, short-term investments, and in cash and cash equivalents, partially offset by an increase in accounts payable and accrued liabilities. Our net current assets decreased from RMB3.1 billion as of December 31, 2019 to RMB2.7 billion as of December 31, 2020, primarily due to decreases in short-term investments and term deposits. We had total shareholders' equity of RMB6.7 billion (US\$1.1 billion) as of December 31, 2021, compared to total shareholders' deficit of RMB5.1 billion as of December 31, 2020, primarily due to the conversion of our convertible redeemable preferred shares into Class A ordinary shares and issuance of Class A ordinary shares both upon the initial public offering, partially offset by our net loss. Our total shareholders' deficit increased from RMB4.0 billion as of December 31, 2019 to RMB5.1 billion as of December 31, 2020, primarily due to an increase in accretions of convertible redeemable preferred shares to redemption value and our net loss. For a detailed discussion on our key balance sheet items and material changes in net current assets and the various working capital items, see "Financial Information—Discussion of Certain Key Balance Sheet Items" and "Financial Information—Liquidity and Capital Resources."

Summary Consolidated Statements of Cash Flows

The following table sets forth our summary consolidated cash flow for the periods indicated.

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash used in operating activities ⁽¹⁾	(715,522)	(244,421)	(440,234)	(69,084)
Net cash (used in)/generated from investing activities	(2,102,488)	430,113	(3,136,503)	(492,185)
Net cash generated from financing activities	2,997,575	9,286	4,876,247	765,190
Effect of exchange rate changes on cash and cash equivalents	7,491	(137,508)	(100,169)	(15,718)
Net increase in cash and cash equivalents	187,056	57,470	1,199,341	188,203
Cash and cash equivalents at the beginning of the year	713,294	900,350	957,820	150,303
Cash and cash equivalents at the end of the year	<u>900,350</u>	<u>957,820</u>	<u>2,157,161</u>	<u>338,506</u>

SUMMARY

Note:

- (1) The following table sets forth the reconciliation of net cash used in operating activities for the periods indicated:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash flow used in operating activities before changes in operating assets and liabilities	(800,939)	(234,362)	(731,638)	(114,811)
Changes in operating assets and liabilities	85,417	(10,059)	291,404	45,727
Net cash used in operating activities	(715,522)	(244,421)	(440,234)	(69,084)

We had net operating cash outflows of RMB715.5 million, RMB244.4 million, and RMB440.2 million (US\$69.1 million) in 2019, 2020, and 2021, respectively, primarily due to our net losses during the Track Record Period. We have generally improved our operating cash flow position during the Track Record Period except in 2021 when we strategically incurred costs and expenses to build up and expand our content ecosystem. We expect to continue to improve our operating cash flow position by benefiting from better operating efficiency, which we believe will lead to decreases in our operating costs and expenses as percentages of our total revenues. Our efforts to improve our net loss position will also lead to improvement of our operating cash flow position. As we are still at an early stage of monetization, we continue to incur necessary costs and expenses to maintain a healthy user base, community, and content portfolio, to maintain a balance between content contribution and monetization. We have strategically incurred expenditures to build up and expand our content ecosystem to further enhance Zhihu’s content quality and content portfolio, promote community culture and user engagement, and solidify organic growth. As a result of our efforts, our MAU increased from 48.0 million in 2019 to 68.5 million in 2020 and further to 95.9 million in 2021, with a CAGR of 41.4% from 2019 to 2021. In addition, we will continually introduce new monetization channels in a non-intrusive, step-by-step manner. We will also continue to pursue efficient user acquisition to solidify our achievement and step up to the next stage of development. Therefore, considering the historical and expected growth of China’s online content communities, our historical and expected MAU increases, our diverse monetization strategies, and the measures to be taken to improve our operating efficiency and achieve profitability, we expect our revenue to gradually exceed our costs and expenses, ultimately leading us to generate net profit and net operating cash inflow. For more details, see “Financial Information—Liquidity and Capital Resources.”

SUMMARY

Despite the above, we may continue to incur net losses and net operating cash outflow in the foreseeable future, including for the year ending December 31, 2022, due to our continued investment in content and incurrence of operating expenses to solidify the foundation for future growth. In addition, due to the fast evolving macroeconomic conditions, regulatory environment, and competitive dynamics in the industry, we are not able to predict when we will be able to start generating net profits or net operating cash inflow.

The following table sets forth certain of our operating data for the periods indicated.

	<u>For the Year Ended December 31,</u>			<u>2019-2021</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>CAGR</u>
Average MAUs (in millions)	48.0	68.5	95.9	41.4 %
Advertising revenue per MAU (in RMB)	12.0	12.3	12.1	0.4%
Average monthly subscribing members (in thousands)	574.2	2,362.6	5,076.0	197.3%
Content-commerce solutions revenue per MAU (in RMB)	—	2.0	10.2	—

Reconciliation Between U.S. GAAP and IFRS

Our consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRS. The effects of material differences for net loss attributable to Zhihu Inc.'s shareholders and total shareholders' (deficit)/equity prepared under U.S. GAAP and IFRS are primarily related to classification and measurement of preferred shares and related issuance costs. For more details about reconciliation between U.S. GAAP and IFRS during the Track Record Period, see "Financial Information—Reconciliation Between U.S. GAAP and IFRS."

BUSINESS SUSTAINABILITY

During the Track Record Period, we incurred operating losses and net operating cash outflows.

Through our continued efforts in various aspects of business operations, including content accumulation and diversification, brand image, user acquisition, and research and development to build the Zhihu community, we had more flexibility to increase revenue and improve the cost and operating expense structure to enhance the profitability in the long run. Historically, our operating loss margins and net loss margins decreased from 157.8% and 149.7% in 2019 to 44.6% and 38.3% in 2020 and then increased to 47.0% and 43.9% in 2021, respectively. Our adjusted net loss margin (non-GAAP financial measure) decreased from 123.0% in 2019 to 25.0% in 2020 and then increased to 25.4% in 2021.

SUMMARY

Our gross profit margin decreased from 56.0% in 2020 to 52.5% in 2021, primarily due to our content contribution and our continued efforts in broadening and enhancing content offerings for all of our users. The decrease in gross profit margin and increases in operating loss margin and net loss margin are primarily attributable to our continuing build-up and expansion of our content ecosystem and related content-related costs and selling and marketing expenses. This may require additional expenditures, such as advertising execution costs and content-related costs, which could lead to a decrease in gross profit margin in the near future. For example, as part of our promotion of “fulfilling content” and enhancement of content infrastructure, we continued to invest in content and content creators by incentivizing content creators’ participation in content-commerce solutions and paid-membership. In addition, the rapid growth in user traffic and content portfolio have resulted, and may continue to result in the foreseeable future, in an increase in cloud services and bandwidth costs. These costs were, and will in the foreseeable future be, purposely incurred in light of Zhihu’s achievement and development stage to further enhance Zhihu’s content quality and content portfolio, promote community culture and user engagement, and solidify organic growth.

MAU is a key driver of our business growth and financial performance. We strategically plan to cultivate an organic user growth and a healthy user base through ever-growing, and diverse user-generated content, strong brand, superior user experience, and cost-efficient user acquisition strategies. As a result, our average MAUs increased from 48.0 million in 2019 to 68.5 million in 2020 and further to 95.9 million in 2021, which laid a foundation for monetization and business growth during the Track Record Period. Our revenue increased substantially from RMB670.5 million in 2019 to RMB1.4 billion in 2020 and further to RMB3.0 billion (US\$464.4 million) in 2021, and our gross profit increased from RMB312.3 million in 2019 to RMB757.8 million in 2020 and further to RMB1.6 billion (US\$243.8 million) in 2021.

The following table sets forth our unaudited quarterly revenue, quarterly average MAUs, and quarterly revenue per MAU for the periods indicated. The quarterly revenue per MAU is calculated based on our selected unaudited quarterly revenue derived from our management accounts and have not been audited. Our historical results are not necessarily indicative of the results to be expected for any future period. The following information should be read in conjunction with the consolidated financial statements included in the Accountant’s Report set forth in Appendix I, including the related notes, as well as the section headed “Financial Information.”

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Quarterly revenue (RMB in millions)	118.0	154.6	173.9	224.0	188.2	261.4	382.8	519.8	478.3	638.4	823.5	1,019.2
Quarterly average MAUs (million)	39.2	44.3	51.7	56.9	61.8	64.5	72.2	75.7	85.0	94.3	101.2	103.3
QoQ growth of average MAUs	—	13.2%	16.5%	10.1%	8.5%	4.4%	12.0%	4.8%	12.3%	10.9%	7.3%	2.1%
YoY growth of average MAUs	—	—	—	—	57.8%	45.4%	39.8%	33.0%	37.7%	46.2%	40.1%	36.4%

SUMMARY

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Quarterly revenue per MAU (RMB)	3.0	3.5	3.4	3.9	3.0	4.1	5.3	6.9	5.6	6.8	8.1	9.9

Our quarterly average MAUs generally increased on a year-over-year basis during the Track Record Period. Although we expect our user base to continue to experience a growing trend in the near future, we may experience fluctuations of quarterly average MAUs on a quarterly basis, particularly during the fourth and first quarter of a year. For instance, on a year-over-year basis, our quarterly average MAUs in the first quarter of 2022 will continue to experience growth, but on a quarter-over-quarter basis, it may stay relatively flat or even experience a decrease compared with the quarterly average MAUs in the previous quarter, primarily attributable to the seasonality and the impact of external environment and market condition. We will continue to enhance our monetization efforts to ensure our overall business growth, and we believe that the quarter-over-quarter fluctuation of our quarterly average MAUs in the first quarter of 2022 will not affect our path to profitability. Meanwhile we will continue to enhance the monetization effectiveness and efficiency on a per-MAU basis. According to CIC, it is common for companies that were experiencing growth trend in user base to record fluctuations in average MAUs on a monthly or quarterly basis, and the general trend of MAUs of such companies had not been materially affected by such individual quarterly fluctuations. For further details, see “Business—Our Monetization.”

We have been enhancing our content-centric monetization in each of the revenue streams during the Track Record Period. For example, our content-commerce solutions were formally launched in early 2020. Despite the relatively short operating history, our content-commerce solutions have proven to be a highly effective marketing approach for merchants and brands, evidenced by an overall click-through rate multiple times higher than that of traditional advertising in the market according to CIC. In addition, our revenue from content commerce-solutions experienced approximately five times year-over-year growth in 2021. According to the CIC Survey, most of our clients consider content-commerce solutions to be effective marketing solutions, and therefore, merchants and brands are willing to spend more on content-commerce solutions to build a cumulative content portfolio for branding. We will continue to grow our content-commerce solutions and enhance other content-centric monetization.

As we continue to develop our monetization channels, our revenue per MAU has increased from RMB14.0 in 2019 to RMB30.9 in 2021, representing a CAGR of 48.6% or a RMB16.9 increment. We will continue to cultivate our content ecosystem and expand our user base in a cost-effective manner, to attract more users, content-creators, and merchants and brands to our community, and further enhance our content-centric monetization to further increase our revenue per MAU.

SUMMARY

We have adopted various ways to cultivate our content ecosystem, such as continued investment into content, incentivize content creation, and strategically conducting sales and marketing activities to grow our user base. The increases in our content costs (which we incur to acquire premium content and to incentivize content creation) and selling and marketing expenses (which we incur to enhance brand image and expand user base) reflect our strategic decision to cultivate a comprehensive content ecosystem and a vibrant user base, enhance the content creation collaboration within the Zhihu community, and support the development of new monetization channels such as content-commerce solutions. In 2019, 2020, and 2021, our content costs per MAU were RMB1.6, RMB3.0, and RMB7.8, respectively, and our selling and marketing expenses per MAU were RMB16.0, RMB10.7, and RMB17.0, respectively. During the Track Record Period, there was an increasing trend of our content costs and selling and marketing expenses on a per-MAU basis, partially reflecting, among other things, the dynamic competitive landscape of the industry, and we had achieved increasing revenues on a per-MAU basis and a higher revenue growth rate on a per-MAU basis than content costs and selling and marketing expenses on a per-MAU basis, which generates fluctuating marginal contribution to our financial performance. In addition, we actively manage the content costs through multiple ways, including dynamically monitoring and adjusting the incentive mechanism for commercial content creators and budget allocation for content acquisition.

Our adjusted net loss margin (non-GAAP financial measure) increased from 25.0% in 2020 to 25.4% in 2021, primarily due to the decrease in the gross profit margin and the increase in selling and marketing expenses to further strengthen our brand image through omnichannel marketing activities, scenario-based promotional campaigns, and marketing personnel engagement, partially offset by enhanced control over other operating expenses. The expenditures are necessary for our expansion of infrastructure in preparation for the next stage of robust growth. Our content costs and selling and marketing expenses on a per-MAU basis may continue to increase in the near future, and believe that our overall profitability can be achieved through our commitment to effectuate a higher revenue growth on a per-MAU basis compared to our cost and expenses on a per-MAU basis. We will continue to manage our content costs that incentivize content creation in line with our business growth, pursue efficient user acquisition strategy to benefit from the UGC and PUGC on Zhihu, and monitor our selling and marketing expenses for branding to solidify our achievement and step up to the next stage of development. As we continue to invest in our algorithms, content, and marketing to retain users, we may continue to be loss-making and our path to profitability may not materialize.

In summary, our strategic incurrence of operating costs and expenses has yielded the further enhancement of our brand image and business scale. Zhihu is a leading online content community. Our Directors are of the view that our monetization strategy and the incentive provided to content creators and that the content under the content commerce solutions tailored to the needs of merchants and brands will unlikely impose any material adverse effect on the quality or authenticity of the Zhihu content. As of December 31, 2021, the Zhihu community had 490 million cumulative pieces of content covering over 1,000 verticals and 1.8 million topics, as well as 55 million cumulative content creators. In the fourth quarter of 2021, Zhihu had 99.6 million average mobile MAUs, 500 million average monthly viewers, and 390 million average monthly engagements. Our revenue increased from RMB670.5 million in 2019 to

SUMMARY

RMB1.4 billion in 2020, and further to RMB3.0 billion (US\$464.4 million) in 2021, representing a CAGR of 110.1% from 2019. Based on the foregoing, our Directors believe that (i) the Company's strategies to pursue profitability, including increasing business scale, strengthening monetization capabilities, and improving financial performance, are effective, (ii) the Company's advertising revenue may increase if the number of its MAUs increases, and (iii) the Company's paid membership revenue will increase if the number of its subscribing members increases, and nothing has come to the Joint Sponsors' attention that would reasonably cause them to disagree the Directors' view.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this prospectus.

IMPACT OF THE COVID-19 PANDEMIC ON OUR OPERATIONS AND FINANCIAL PERFORMANCE

The COVID-19 pandemic has had, and, together with any outbreaks driven by new variants of COVID-19, such as Omicron, may continue to have, an adverse impact on our operations and financial performance. For example, some of our merchants and brands reduced their expenditures on advertising in the first half of 2020 due to the COVID-19 pandemic. In addition, the outbreak of the COVID-19 pandemic led us to delay the formal launch of our content-commerce solutions. Our selling and marketing expenses decreased as many of the regular or scheduled offline marketing events in China were canceled or delayed in 2020 due to the COVID-19 pandemic.

The extent to which the COVID-19 pandemic may continue to affect our operations and financial performance will depend on future developments, which are highly uncertain and cannot be predicted. See "Risk Factors—Risks Relating to Our Business and Industry—We face risks related to natural disasters, health epidemics, and other outbreaks, which could significantly disrupt our operations."

RECENT REGULATORY DEVELOPMENTS

In recent years, various laws and regulations and draft measures were issued or promulgated to regulate, among other things, internet and media, education, healthcare, and real estate sectors. These laws and regulations are newly enacted, and their implementations and interpretations are subject to uncertainties. The timetable and the legislation or promulgation process of such draft measures remain unclear. As such, there remains substantial uncertainties as to whether and how these recent regulatory developments, to the extent relevant to our business and operations, will affect our business operations. See "Regulations."

SUMMARY

Regulatory Developments on Cybersecurity and Data Privacy

On December 28, 2021, the Cyberspace Administration of China, or the CAC, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effect on February 15, 2022. On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations, for public comments. For more details, see “Regulations—Regulations Relating to Information Security.”

Our Directors and our PRC Legal Advisor are of the view that the Cybersecurity Review Measures and the Draft Data Security Regulations, if implemented in their current forms, will not have any material adverse effect on our business operations or the proposed Listing on the basis that (i) we have implemented comprehensive measures to ensure user privacy and data security and to comply with applicable cybersecurity and data privacy laws and regulations as disclosed in “Business—User Privacy and Data Security,” (ii) as of the Latest Practicable Date, we had not been subject to any material investigation, inquiry, or sanction in relation to cybersecurity or data privacy or any cybersecurity review from the CAC, the CSRC, or any other relevant government authority, (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with cybersecurity or data privacy laws or regulations, (iv) as advised by our PRC Legal Advisor, we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures during the Track Record Period and up to the Latest Practicable Date, (v) as advised by our PRC Legal Advisor and subject to any further official guidance and implementation rules relating to the Cybersecurity Review Measures, Article 7 of the Cybersecurity Review Measures requires a cybersecurity review for internet platform operators possessing personal information of over one million users and pursuing a foreign listing (國外上市), and (vi) we will closely monitor and assess further regulatory developments regarding cybersecurity and data privacy laws, including the development on cybersecurity review, and comply with the latest regulatory requirements. While the scope of critical information infrastructure operators and the scope of network products or services or data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant government authorities and we cannot preclude the possibilities that new regulations or rules in the future may impose additional compliance requirements on us, we have been closely monitoring the applicable regulatory updates and the aforementioned view of us and our PRC Legal Advisor that we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures is on the basis that, during the Track Record Period and as of the Latest Practicable Date, (i) we had implemented comprehensive data collection, retention, and safeguard procedures, (ii) we had not experienced any data breach or violation of data protection and privacy laws and regulations that has a material adverse effect on our business operations, (iii) we had not been subject to any material investigation, inquiry, or sanction relating to cybersecurity or data privacy or any cybersecurity review from the CAC, the CSRC, or any other relevant

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government authority, (iv) we had not been notified by any authorities of being classified as a critical information infrastructure operator, and (v) we would continue to be controlled by Mr. Zhou, instead of any foreign government, upon the completion of the proposed Listing.

Regulatory Developments on Overseas Listing

On December 24, 2021, the CSRC released the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), or the Draft Overseas Listing Provisions, and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》), or the Draft Filing Measures, for public comments until January 23, 2022. For more details, see “Regulations—M&A Rules and Overseas Listing.” As the Draft Overseas Listing Provisions and the Draft Filing Measures are yet to be released as of the date of this prospectus, our PRC Legal Advisor is of the view that our Company is not currently subject to any filing procedures with or approval by the CSRC. Our Directors and PRC Legal Advisor are of the view that assuming the Draft Overseas Listing Provisions and the Draft Filing Measures are adopted in their current forms, as long as we comply with all relevant legal requirements, take all necessary steps, and submit all relevant materials in accordance with the Draft Overseas Listing Provisions and the Draft Filing Measures, there is not any material legal impediment in obtaining the approval from and completing the filing procedure with the CSRC for the Global Offering. This view is on the basis that, although the implementation of the Draft Overseas Listing Provisions and the Draft Filing Measures, if adopted in their current forms, will be subject to the discretion and interpretation of the CSRC, we and our PRC Legal Advisor are not aware of any of the circumstances stipulated in Article 7 of the Draft Overseas Listing Provisions prohibiting a domestic company from conducting an overseas listing (境外上市) that are applicable to us. In addition, our Directors and PRC Legal Advisor are of the view that we will be able to comply with all the relevant legal requirements, take all necessary steps, and submit all relevant materials in accordance with the Draft Overseas Listing Provisions and the Draft Filing Measures.

Regulatory Developments on Algorithm-Based Recommendation

The PRC government authorities have taken steps to limit the method and manner that the internet companies may apply when using the algorithms. For instance, the CAC, together with eight other government authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services (《關於加強互聯網信息服務算法綜合治理的指導意見》) on September 17, 2021, which stipulates that daily monitoring of data use, application scenarios, and effects of algorithms must be carried out by the relevant regulators, and relevant regulators should conduct security assessments of algorithms. In addition, on December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, and the SAMR promulgated the Administrative Provisions on Internet Information Service Algorithm-Based Recommendation (《互聯網信息服務算法推薦管理規定》), which took effect on March 1, 2022 and stipulates that algorithm-based recommendation service

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providers should inform users of their provision of algorithm-based recommendation services in a conspicuous manner, and publicize the basic principles, purpose or intention, and main operating mechanisms of algorithm-based recommendation services in an appropriate manner. See “Regulations—Regulations Relating to Internet Privacy” for details.

Our current approach in content operations were in compliance in material respects with the algorithm-based recommendation rules as of the Latest Practicable Date. We will continue to take necessary measures, and do not foresee any material impediments, in meeting the relevant compliance requirements set forth in Administrative Provisions on Internet Information Service Algorithm-Based Recommendation and other relevant rules. We will closely monitor the regulatory development and adjust our business operations from time to time to comply with the regulations over algorithm-based recommendation. On the foregoing basis, our Directors and PRC Legal Advisor are of the view that the regulations on algorithm-based recommendation, including those recent regulatory updates, will not have a material adverse effect on our business, financial condition, and results of operations. Based on the foregoing and having discussed with the management of the Company and the PRC Legal Advisor on the aforementioned recent regulatory developments, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the views of the Directors and PRC Legal Advisor.

Regulatory Developments on Anti-Monopoly

On October 23, 2021, the Standing Committee of the National People’s Congress issued a draft amendment of the Anti-Monopoly Law (《反壟斷法(修正草案)》) for public comments until November 21, 2021, which stipulates, among other things, that business operators should not abuse data, algorithms, technology, capital advantages, and platform rules to exclude or limit competition. The draft also requires relevant government authorities to strengthen the examination of concentration of undertakings in areas such as finance, media, science, and technology, and enhances penalties for violation of the regulations regarding concentration of undertakings. See “Regulations—Regulations Relating to Unfair Competition and Anti-Monopoly” for details.

During the Track Record Period and up to the Latest Practicable Date, we had not resorted to any monopolistic behavior in our business operations, and had not entered into any monopolistic agreement. In addition, we had not been subject to any penalties, regulatory actions, or investigations in connection with anti-monopoly activities. On the foregoing basis, our Directors and PRC Legal Advisor are of the view that the regulations on anti-monopoly, including those recent regulatory updates, will not have a material adverse effect on our business, financial condition, and results of operations. Based on the foregoing and having discussed with the management of the Company and the PRC Legal Advisor on the aforementioned recent regulatory developments, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the views of the Directors and PRC Legal Advisor.

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Advertising Regulatory Compliance

The advertising-related laws and regulations require, among other things, the advertisers to obtain approvals from authorities responsible for advertisement review prior to publishing advertisements relating to areas including, but not limited to, medical care, pharmaceuticals, medical instruments, agrochemicals, veterinary pharmaceuticals, and health food, and specify content that is prohibited from being contained in advertisements of the aforementioned categories. For content on our platform that constitutes advertisements falling in these categories, we have established and maintained a reviewing team and implemented strict policies to comply with the regulatory requirements, including setting forth detailed reviewing protocols for each relevant industry, requiring counterparties to submit duly-obtained approvals of advertisement review authorities and to covenant on the authenticity of such approval, verifying the authenticity of such approval through the website of the advertisement reviewing authorities, and confining the advertising content strictly to the extent approved. Where such content violates relevant laws and regulations, we take immediate measures to remove them. During the Track Record Period, we had been compliant with laws and regulations governing advertisement content of the aforesaid industries and the content on our platform that constitutes advertisements did not concentrate on the aforesaid industries. We will closely monitor and follow regulatory developments regarding advertisements in our daily operation on a continuing basis.

FUTURE DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many respects from the generally accepted accounting principles in other jurisdictions, including U.S. GAAP. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

During the Track Record Period, no dividends have been paid or declared by us. We do not currently have a pre-set dividend payout ratio. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

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GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

- (i) the Hong Kong Public Offering of initially 2,600,000 Sale Shares (subject to reallocation) in Hong Kong as described in “Structure of the Global Offering—The Hong Kong Public Offering”; and
- (ii) the International Placing of an aggregate of initially 23,400,000 Sale Shares (subject to reallocation and the Over-allotment Option) pursuant to the shelf registration statement on Form F-3 that was filed with the SEC and became effective on April 8, 2022, the preliminary prospectus supplement dated April 8, 2022, and the final prospectus supplement to be filed with the SEC on or about April 14, 2022, including the documents incorporated by reference therein.

The Offer Shares will represent approximately 8.2% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full and no further Shares are issued under the Share Incentive Plans, the Offer Shares will represent approximately 9.4% of the issued share capital of our Company immediately following the completion of the Global Offering.

OFFERING STATISTICS

	Based on the indicative offer price of HK\$51.80
Market capitalization of our Shares ⁽¹⁾	HK\$16.41 billion
Unaudited pro forma adjusted net tangible asset per Share ⁽²⁾	HK\$26.77 (RMB21.87)

Notes:

- (1) The calculation of market capitalization is based on the assumptions that 316,744,432 Shares expected to be in issue immediately upon completion of the Global Offering.

We satisfy the market capitalization/revenue test under Rule 8A.06(2) and Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue for the year ended December 31, 2021, being approximately RMB2,959.3 million, which is over HK\$1 billion; and (ii) our expected market capitalization at the time of Listing, which, based on the indicative Public Offer Price, exceeds HK\$10 billion as shown above.

- (2) For the calculation of the unaudited pro forma adjusted net tangible asset value per Share attributed to our Shareholders, please see “Unaudited Pro Forma Financial Information” in Appendix II.

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RULE 13.46(2) OF THE LISTING RULES

Rule 13.46(2) of the Listing Rules requires an overseas issuer to send an annual report or a summary financial report within four months after the end of the financial year to which the report relates. As (i) our Company has already included in this prospectus the financial information required under Appendix 16 of the Listing Rules in relation to annual report in respect of the year ended December 31, 2021; (ii) our Company will not be in breach of its constitutional documents or laws and regulations of Cayman Islands or other regulatory requirements regarding its obligation to publish and distribute annual reports and accounts; (iii) our Company has included in this prospectus a statement as to whether it complies with the Corporate Governance Code in Appendix 14 to the Listing Rules and if not, the considered reasons for the deviation and explain how good corporate governance was achieved by means other than strict compliance with the code provision of the Corporate Governance Code; the Company will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders for the year ended December 31, 2021. In addition, the Company will issue an announcement by April 30, 2022 that it will not, for the purpose of Rule 13.46(2), separately prepare and send an annual report to its shareholders for the year ended December 31, 2021 and that the relevant financial information has been included in this prospectus. The Company will still comply with Rule 13.91(5) of the Listing Rules.

LISTING EXPENSES

Based on the indicative offer price of HK\$51.8, the total estimated listing related expenses in relation to the Global Offering is approximately RMB87.2 million, including RMB35.4 million of fees for legal advisors and Reporting Accountant, RMB18.7 million of other fees unrelated to the underwriting, and RMB33.1 million of underwriting commissions and transaction fees (including SFC transaction levy, FRC transaction levy, and Stock Exchange trading fee) payable to the Underwriters in connection with the offering of Offer Shares under the Global Offering. The underwriting commissions and transaction fees of RMB33.1 million (including SFC transaction levy, FRC transaction levy and Stock Exchange trading fee) payable to the Underwriters in connection with the offering of Offer Shares under the Global Offering and 25% of the remaining listing-related expenses of RMB13.5 million will be borne by the Selling Shareholders, and 75% of the remaining listing-related expenses of RMB40.6 million will be borne by the Company in accordance with the terms under the Underwriting Agreements. Listing expenses of approximately RMB2.0 million have been charged to the consolidated statements of operations and comprehensive loss prior to December 31, 2021, and we estimate that listing expenses of approximately RMB38.6 million will be charged to the consolidated statements of operations and comprehensive loss upon completion of the Global Offering.

USE OF PROCEEDS

We will not receive any of the net proceeds from the Global Offering. The Selling Shareholders will receive all the net proceeds of the Global Offering.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms.”

“2012 Plan”	the share incentive plan our Company adopted in June 2012, as amended from time to time, the principal terms of which are set out in “Statutory and General Information—Share Incentive Plans” in Appendix IV
“2022 Plan”	the share incentive plan conditionally approved and adopted by our Company on March 30, 2022, the principal terms of which are set out in the section headed “Statutory and General Information—Share Incentive Plans” in Appendix IV
“Accountant’s Report”	the accountant’s report of our Company, the text of which is set out in Appendix I to this prospectus
“ADS(s)”	American Depositary Shares, every two representing one Class A Ordinary Share
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles” or “Articles of Association”	the tenth amended and restated articles of association of the Company adopted by a special resolutions of the shareholders of the Company passed on March 18, 2021 and effective on March 30, 2021, as amended from time to time, a summary of which is set out in “Summary of the constitution of the Company and Cayman Islands Company Law” in Appendix III
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands

DEFINITIONS

“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Center by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“CEO Award”	the grant of 9,621,477 Class A Ordinary Shares to Mr. Zhou on April 8, 2022. For details please see section headed “Directors and Senior Management—Directors’ remuneration—Grant of CEO Award”
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this prospectus only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China, and Taiwan
“Class A Ordinary Shares”	class A ordinary shares in the share capital of the Company with a par value of US\$0.000125 each, conferring a holder of a Class A Ordinary Share one vote per Share on any resolution tabled at the Company’s general meetings
“Class B Ordinary Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.000125 each, conferring weighted voting rights in the Company such that a holder of a Class B Ordinary Share is entitled to ten votes per Share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per Share
“Co-manager”	Citrus Securities Limited
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” or “the Company”	Zhihu Inc. 知乎 (formerly known as “Zhihu Technology Limited”), a company with limited liability incorporated in the Cayman Islands on May 17, 2011
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Consolidated Affiliated Entity(ies)”	entities we control through the Contractual Arrangements, namely the Onshore Holdcos and their subsidiaries (if any), details of which are set out in the section headed “History, Development and Corporate Structure”
“Contractual Arrangement(s)”	the series of contractual arrangements entered into between the WFOEs, the Onshore Holdcos and the Registered Shareholders (as applicable), as detailed in the section headed “Contractual Arrangements”
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhou and the intermediary company through which Mr. Zhou controls his interest in the Company, namely, MO Holding Ltd, South Ridge Global Limited and Zhihu Holdings Inc. as further detailed in the section headed “Relationship with the Controlling Shareholders”
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Depositary”	JPMorgan Chase Bank, N.A.
“Director(s)”	the director(s) of our Company
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“FRC”	Financial Reporting Council
“GAAP”	generally accepted accounting principles
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Governmental Authority”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational

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“ GREEN Application Form(s)” or “Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 2,600,000 Class A Ordinary Shares being initially offered for subscription in the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Public Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering—The Hong Kong Public Offering”
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting—Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement, dated April 8, 2022, relating to the Hong Kong Public Offering, entered into among, inter alia, the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters, the Selling Shareholders and our Company, as further described in the section headed “Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Hong Kong Underwriting Agreement”
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
“International Offer Price”	the final offer price per International Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%)
“International Offer Shares”	the 23,400,000 Class A Ordinary Shares being initially offered for subscription by the Selling Shareholders under the International Offering together, where relevant, with any additional Shares that may be sold by the Over-allotment Shareholders pursuant to any exercise of the Over-allotment Option
“International Offering”	the conditional placing of the International Offer Shares at the International Offer Price pursuant to the shelf registration statement on Form F-3 that was filed with the SEC and became effective on April 8, 2022, a preliminary prospectus supplement dated April 8, 2022, and a final prospectus supplement dated April 14, 2022, including the documents incorporated by reference therein, and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed “Structure of the Global Offering”

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“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement, expected to be entered into on or about April 14, 2022, relating to the International Offering, expected to be entered into by, among others, our Company, the Selling Shareholders, the Joint Global Coordinators and the International Underwriters, as further described in the section headed “Underwriting—Underwriting Arrangements—The International Offering”
“Joint Bookrunners”	Credit Suisse (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities LLC (in relation to the International Offering only), China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, CCB International Capital Limited and Haitong International Securities Company Limited
“Joint Global Coordinators”	Credit Suisse (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited
“Joint Lead Managers”	Credit Suisse (Hong Kong) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities LLC (in relation to the International Offering only), China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, CCB International Capital Limited and Haitong International Securities Company Limited
“Joint Sponsors”	Credit Suisse (Hong Kong) Limited, J.P. Morgan Securities (Far East) Limited, China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited
“Latest Practicable Date”	April 3, 2022, being the latest practicable date for ascertaining certain information in this prospectus before its publication

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“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Class A Ordinary Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, April 22, 2022, on which the Class A Ordinary Shares are to be listed and on which dealings in the Class A Ordinary Shares are to be first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the tenth amended and restated memorandum of association of the Company adopted by a special resolutions of the shareholders of the Company passed on March 18, 2021 and effective on March 30, 2021, as amended from time to time, a summary of which is set out in “Summary of the constitution of the Company and Cayman Islands Company Law” in Appendix III
“MIIT”	Ministry of Industry and Information Technology of China (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry)
“Mr. Zhou” or “Founder”	Mr. Yuan Zhou, an executive director and the Chief Executive Officer of our Company and the founder of our Group and the WVR Beneficiary

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“NDRC”	National Development and Reform Commission of China (中華人民共和國國家發展和改革委員會)
“NRTA”	National Radio and Television Administration of China (國家廣播電視總局)
“NYSE”	New York Stock Exchange
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Class A Ordinary Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option
“Onshore Holdco(s)”	Zhizhe Tianxia, Shanghai Biban Network Technology Co., Ltd., and Shanghai Pinzhi Education Technology Co., Ltd.
“Over-allotment Option”	the option expected to be granted by the Over-allotment Shareholders to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require the Over-allotment Shareholders to sell up to 3,900,000 additional Class A Ordinary Shares (representing in aggregate 15% of the initial Offer Shares) to the International Underwriters to, among other things, cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering—Over-allotment Option”
“Over-allotment Shareholders”	Innovation Works Development Fund, L.P. and Innovation Works Holdings Limited
“PRC Legal Advisor”	Han Kun Law Offices, our legal advisor on PRC law
“Price Determination Agreement”	the agreement to be entered into between our Company, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Public Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or about April 14, 2022 and in any event no later than April 17, 2022, on which the Public Offer Price is to be fixed for the purposes of the Global Offering
“Public Offer Price”	the final offer price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and the FRC transaction levy), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering, to be determined as described in the section headed “Structure of the Global Offering—Pricing and allocation”
“Registered Shareholders”	the registered shareholders of the Onshore Holdcos, more particularly set out in the section headed “Contractual Arrangements”
“Relevant Persons”	the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of them or the Company’s respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SAFE”	State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局)
“Sale Shares”	the 26,000,000 Shares initially being offered by the Selling Shareholders for purchase under the Global Offering
“SAMR”	State Administration for Market Regulation of China (中華人民共和國國家市場監督管理總局)

DEFINITIONS

“SEC”	United States Securities and Exchange Commission
“Selling Shareholders”	Innovation Works Development Fund, L.P., Innovation Works Holdings Limited, Qiming Venture Partners III, L.P., Qiming Managing Directors Fund III, L.P., Qiming Venture Partners III Annex Fund, L.P., SAIF IV Mobile Apps (BVI) Limited and CTG Evergreen Investment XX Limited
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	<p>the Class A Ordinary Shares and Class B Ordinary Shares in the share capital of the Company, as the context so requires</p> <p>Unless otherwise specified, in this prospectus, disclosures of shareholding information of our Company do not take into account the 9,323,863 Class A Ordinary Shares (as of the Latest Practicable Date) issued to the Depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the Share Incentive Plans. In addition, disclosures of shareholding information of our Company immediately upon the completion of the Global Offering are based on the assumptions that the Over-allotment Option is not exercised, no further Shares are issued under the Share Incentive Plans and no Class B Ordinary Shares are converted into Class A Ordinary Shares</p>
“Shareholder(s)”	holder(s) of our Share(s)
“Share Incentive Plans”	collectively, the 2012 Plan and the 2022 Plan
“STA”	State Taxation Administration of China (中華人民共和國國家稅務總局)
“Stabilization Manager”	Credit Suisse (Hong Kong) Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)

DEFINITIONS

“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Track Record Period”	the years ended December 31, 2019, 2020, and 2021
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	United States of America, its territories, its possessions, and all areas subject to its jurisdiction
“VAT”	value-added tax
“weighted voting right”	has the meaning ascribed to it in the Listing Rules
“WFOE(s)”	Zhizhe Sihai, Shanghai Paya Information Technology Co., Ltd. and Shanghai Zhishi Commercial Consulting Co., Ltd.
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO Service Provider, at www.eipo.com.hk

DEFINITIONS

“WVR Beneficiary”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Yuan Zhou, being the holders of the Class B Ordinary Shares, entitling to weighted voting rights, details of which are set out in the section headed “Share Capital”
“WVR Structure”	has the meaning ascribed to it in the Listing Rules
“Zhihu Network”	Beijing Zhihu Network Technology Co., Ltd.* (北京知乎網技術有限公司), a limited liability company established under the laws of the PRC on January 22, 2018 and a subsidiary of our Company
“Zhizhe Sihai”	Zhizhe Sihai (Beijing) Technology Co., Ltd.* (智者四海(北京)技術有限公司), a limited liability company established under the laws of the PRC on January 18, 2012 and a subsidiary of our Company
“Zhizhe Tianxia”	Beijing Zhizhe Tianxia Technology Co., Ltd.* (北京智者天下科技有限公司), a limited liability company established under the laws of the PRC on June 8, 2011 and a Consolidated Affiliated Entity of our Company
“%”	per cent

* For identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this prospectus in connection with our Company and our business. These terms and their definitions may not correspond to standard industry definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

“12th-month retention rate”	for any cohort of YanPlus users in a specified month, the retention rate in the 12th month after that month
“average MAUs”	calculated by dividing the sum of MAUs for each month during a specified period by the number of months in the period
“average mobile MAUs”	calculated by dividing the sum of mobile MAUs for each month during a specified period by the number of months in the period
“average monthly active content creators”	calculated by dividing the sum of monthly active content creators for each month during a specified period by the number of months in the period
“average monthly renewal rate”	calculated by dividing the sum of monthly renewal rates for each month during a specified period by the number of months in the specified period
“average monthly subscribing members”	calculated by dividing the sum of monthly subscribing members for each month during a specified period by the number of months in the period
“average revenue per subscribing member”	calculated by dividing the paid membership revenue for a specified period by the average monthly subscribing members in the specified period
“CAGR”	compound annual growth rate, calculated by dividing the ending value by the beginning value of a period, raised to the power of one divided by the number of years within the period, and subtracting one from the subsequent result
“comprehensive online content communities”	a subset of online content communities, whose content cover a comprehensive set of content verticals such as news, entertainment content, experience sharing, professional expertise, and knowledge, among others

GLOSSARY OF TECHNICAL TERMS

“content creators”	users who have generated at least one piece of content
“engagements”	13 kinds of virtual engagement activities in the Zhihu community, such as upvotes, downvotes, comments, likes, follows, favorites, and shares, among others
“MAUs”	monthly active users, the sum of our mobile MAUs and the number of logged-in users who visit our PC or mobile website at least once in a specified month, after eliminating duplicates
“mobile MAUs”	mobile monthly active users, the number of mobile devices that launch our mobile app at least once in a specified month
“monthly active content creators”	the number of content creators who generate at least one piece of content in a specified month
“monthly renewal rate”	calculated by dividing the number of subscribing members that subscribed for our monthly membership services in a specified month with renewed membership services in the following month by the total number of subscribing members that subscribed for our monthly membership services during the specified month
“monthly subscribing members”	the number of our Yan Selection (鹽選) members in a specified month
“monthly viewers”	the sum of the number of mobile devices that launch our mobile app at least once in a specified month and the number of independent cookies that visit our PC or mobile website at least once in a specified month. The number of monthly viewers is calculated by treating each distinguishable independent cookie or mobile device as a separate user even though some individuals may access our community with more than one independent cookie or using more than one mobile device and multiple individuals may access our community with the same independent cookie or using the same mobile device

GLOSSARY OF TECHNICAL TERMS

“new tier 1 cities”	Chengdu, Hangzhou, Chongqing, Xi’an, Suzhou, Wuhan, Nanjing, Tianjin, Zhengzhou, Changsha, Dongguan, Foshan, Ningbo, Qingdao, and Shenyang, based on a study published in 2021 by China Business Network, a finance media company in China
“paying ratio”	the ratio of our average monthly subscribing members in a specified period divided by the average MAUs in the period
“PGC”	professionally generated content
“piece of content”	any piece of questions, answers, articles, videos, groups, or live streaming in the Zhihu community
“PUGC”	professional user generated content
“retention rate”	for any cohort of YanPlus users in a specified period, the percentage of these YanPlus users who made at least one repeated visit to Zhihu after a certain duration
“services offered to businesses and merchants”	online advertising services and content-commerce solutions
“tier 1 cities”	Shanghai, Beijing, Shenzhen, and Guangzhou, based on a study published in 2021 by China Business Network, a finance media company in China
“tier 2 cities”	Hefei, Kunming, Wuxi, Xiamen, Jinan, Fuzhou, Wenzhou, Dalian, Harbin, Changchun, Quanzhou, Shijiazhuang, Nanning, Jinhua, Guiyang, Nanchang, Changzhou, Jiaxing, Zhuhai, Nantong, Huizhou, Taiyuan, Zhongshan, Xuzhou, Shaoxing, Taizhou, Yantai, Lanzhou, Weifang, and Linyi, based on a study published in 2021 by China Business Network, a finance media company in China
“topics”	a specific group of content relating to a particular subject matter
“UGC”	user-generated content

GLOSSARY OF TECHNICAL TERMS

“verticals”	groupings of content focusing on specific related topics such as news, entertainment content, experience sharing, professional expertise, and knowledge, among others
“YanPlus users”	the active users in a specified month, each with a Yan value of 300 or above
“Yan value (鹽值)”	a rating that is assigned to users based on their content creation and engagement activities in the Zhihu community

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors regarding future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our expected user growth and business growth;
- our ability to develop and manage our operations and business;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and jurisdictions in which we operate; and
- all other risks and uncertainties described in the section headed “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

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An investment in our Class A ordinary shares or ADSs involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Class A ordinary shares or ADSs. Any of the following risks could have a material adverse effect on our business, financial condition, and results of operations. In any such case, the market price of our Class A ordinary shares or ADSs could decline, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business depends on our ability to offer high-quality user-generated content for our users.

Our success depends on our ability to offer high-quality user-generated content, including such content that broadens horizons, provides solutions, and resonates with minds, for our users, which we refer to as “fulfilling” content. The quality of the Zhihu content is fundamental in providing superior user experience and maintaining the attractiveness and value of the Zhihu community. We rely on our experience from past and current operations to inspire, manage, and refine our content, which may not be effective as we do not simply follow user preferences and market trends. If we are unable to expand into new verticals or further develop existing verticals, we may not be able to keep our content offerings comprehensive and up to date. If we fail to maintain the balance between user preferences and our assessment of content quality, the quality of the Zhihu content may be compromised, and the Zhihu community may be less attractive for users. We cannot assure you that our “fulfillment” approach made through our content operations could always effectively yield fulfilling content for users, or that the function and iteration of TopicRank algorithms could interact smoothly with such “fulfillment” approach with our understanding as expected.

We are a UGC-based online content community, where content creators are critical to our continued success. We encourage users to become content creators and provide ongoing support and guidance to them. We cannot assure you that our content creators will continue to create sufficient content for the Zhihu community, or at all. Any failure to continue to encourage, support, or incentivize content creators may materially and adversely affect the quality of our content offerings.

We offer and curate premium content for our subscribing members through our Yan Selection (鹽選) membership program. If our premium content fails to attract users or meet their expectations, we may not be able to maintain or increase the number of our subscribing members, which could materially and adversely affect our business, financial condition, and results of operations.

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If we cannot continue to offer content with consistent quality and enhance our content offerings, the reputation and attractiveness of the Zhihu community could be compromised and we may experience a decline in our user base, which could materially and adversely affect our business, financial condition, and results of operations.

Our success depends on our ability to attract and maintain an engaged user base.

Our success and continued growth are driven by our fast growing, diverse, and highly engaged user base. We have experienced significant user growth since inception. We had 99.6 million average mobile MAUs in the fourth quarter of 2021, representing a 38.1% increase from the fourth quarter of 2020. Our users also exhibit a high level of engagement through active participation and contribution. We attract and retain users with our content, and any decline in the breadth, depth, and quality of our content offerings may adversely affect our ability to maintain and further expand a large and engaged user base.

We also strategically deploy multi-dimensional growth strategies to complement our word-of-mouth referrals, such as brand marketing, targeted campaigns, and pre-installations on mobile devices, to achieve user growth and increase the engagement of new and existing users. These strategies and user growth efforts may turn out to be ineffective, and we may not be able to acquire more users effectively or may experience a decline in our user base. For example, if some of our efforts to increase user traffic are found to be ineffective or even objectionable, such efforts may not justify the associated costs and could be counterproductive if they lead to negative user experience. Furthermore, we benefit from our strong Zhihu brand and reputation to attract users, which leads to our low user acquisition costs. Damage to our brand and reputation could materially and adversely affect our user growth and increase our user acquisitions costs.

If we fail to maintain and strengthen our community culture, brand, and reputation, our ability to expand our user base and enhance content-centric monetization could be impaired, and our business, financial condition, and results of operations could be materially and adversely affected.

Our community culture, underpinned by sincerity, expertise, and respect (認真、專業、友善), is critical to the attractiveness of the Zhihu community and user experience. However, we cannot assure you that we can maintain our community culture along with our fast growth, as new users may not honor our community governance protocols or fit well into our culture, which could disrupt the good order of the Zhihu community despite our efforts to encourage new users to embrace and honor our community culture, which could in turn damage other users' experience and discourage them from joining, engaging in, or contributing to, the Zhihu community. In addition, frictions among users and objectionable or otherwise valueless content in our community may damage our community culture and adversely affect the emotional and psychological well-being of our users. If we are unable to maintain our community culture, the attractiveness of the Zhihu community could be diminished.

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In addition, our brand and reputation are critical to our success and may be adversely affected by objectionable content or user activities in the Zhihu community that are perceived as inappropriate, hostile, or illegal, or by information that is perceived as misleading. We may fail to respond expeditiously to such objectionable content or user activity, or otherwise address user concerns. As our community further grows in scale, we may not be able to identify and respond to such content or user activity in a timely manner, which could erode the trust in our brand and damage our reputation. Any government or regulatory inquiry, investigation, or action based on objectionable content or user activity in the Zhihu community, our business practices, or failure to comply with laws and regulations, could damage our brand and reputation regardless of the outcome.

Furthermore, it is important for us to maintain a good balance between monetization and our reputation for providing superior user experience. Our users may find the advertisements or the commercial content in the Zhihu community irrelevant, unhelpful, or intrusive. If we fail to balance user experience as we further enhance monetization, our brand and reputation may be adversely affected.

We have experienced, and may continue to experience, government, regulatory, investor, media, and other third-party scrutiny of our community, content, data privacy, cybersecurity, or other business practice. Actions of our employees, users, or business partners, or other issues, may also harm our brand and reputation. If we fail to promote and maintain the Zhihu brand or preserve our reputation, or if we incur excessive expenses in this effort, our business, financial condition, and results of operations could be materially and adversely affected.

We have incurred net loss and negative operating cash flow in the past, which may continue in the future.

We have incurred net loss and negative operating cash flow in the past. In 2019, 2020, and 2021, we had net loss of RMB1.0 billion, RMB517.6 million, and RMB1.3 billion (US\$203.8 million) and negative operating cash flow of RMB715.5 million, RMB244.4 million, and RMB440.2 million (US\$69.1 million), respectively. We cannot assure you that we will be able to generate net profit or positive operating cash flow in the future. Our ability to achieve profitability and positive operating cash flow largely depends on our ability to further expand our user base and enhance monetization, but we cannot assure you that we will continue to maintain a sound growth momentum. We may continue to experience net loss and negative operating cash flow in the future due to increasing content and other costs, including those for commercial content, as well as our continued spending in growth and marketing and investments in technology, people, infrastructure, and new initiatives. We incurred in the past, and expect to continue to incur in future periods, share-based compensation expenses, and we expect our costs and operating expenses to continue to increase in absolute amounts as we expand our business, which may result in future losses. In addition, our ability to achieve and sustain profitability is affected by various factors, some of which are beyond our control, such as changes in macroeconomic conditions, regulatory environment, or competitive dynamics in

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the industry. If we cannot effectively maintain or achieve revenue growth at scale, or if we are unable to achieve profitability or maintain and enhance our liquidity, our business, financial condition, and results of operations may be materially and adversely affected.

We may not be able to manage our growth effectively, which may compromise the success of our business.

We have experienced rapid growth since our inception. The success of our business largely depends on our ability to effectively maintain our user and revenue growth. We attract and retain users with our content, and we also strategically deploy marketing and other user acquisition strategies. Our MAU growth may fluctuate on a quarterly basis, which makes it difficult to predict. For instance, our quarterly average MAUs generally increased on a year-over-year basis during the Track Record Period. Although we expect our user base to continue to experience a growing trend in the near future, we may experience fluctuations of quarterly average MAUs on a quarterly basis, particularly during the fourth and first quarter of a year. For instance, on a year-over-year basis, our quarterly average MAUs in the first quarter of 2022 will continue to experience growth, but on a quarter-over-quarter basis, it may stay relatively flat or even experience a decrease compared with the quarterly average MAUs in the previous quarter, primarily attributable to the seasonality and the impact of external environment and market condition. For further details, see “Business – Our Monetization.”

As we further expand our business, content offerings, and products and services, we may face challenges arising from our continued growth in relation to managerial resources, human resources, technological infrastructure, capital resources, and corporate culture. Therefore, we need to continually expand and enhance our technological infrastructure, operating and financial systems, and other controls and procedures. We also need to expand, train, and manage our growing employees while maintaining our corporate culture. We cannot assure you that our current infrastructure, systems, procedures, and internal controls will be adequate to support our expanding operations, that we can maintain our collaborative corporate culture, or that we can continuously manage our relationships with third parties with success. If we fail to manage our expansion effectively, our business, financial condition, results of operations, and prospects may be materially and adversely affected.

As we only have a limited history of operating our business at scale, it is difficult to evaluate our current business and future prospects, including our ability to grow in the future. Continued growth could also challenge our ability to provide consistent experience for new and existing users, content creators, and business partners, develop and improve our operating, financial, legal, and management controls, and enhance our reporting systems and procedures. Our costs and expenses may grow faster than our revenues and may be greater than what we anticipate. Managing our growth will require significant expenditures and appropriate allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, financial condition, and results of operations could be adversely affected.

We are subject to risks associated with financing activities and liquidity.

Growing and operating our business may require significant cash investments, capital expenditures, and commitments to respond to business challenges, including developing or enhancing new or existing services and technologies and expanding our infrastructure. If cash on hand and cash generated from operations are not sufficient to meet our cash and liquidity needs, we may need to seek additional capital, potentially through debt or equity financings. We may not be able to raise required cash on terms acceptable to us in a timely manner, or at all. Such financings may be on terms that are dilutive or potentially dilutive to our shareholders, and the prices at which new investors would be willing to purchase our securities or related financial instruments may be lower than the public offering price of the Global

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Offering or the current market price per share of our Class A ordinary shares or ADSs. The holders of new securities may also have rights, preferences, or privileges that are senior to those of existing stockholders. In addition, we currently have limited asset to pledge for loans or other debt financing transactions. If new financing sources are required, but are insufficient or unavailable, we may need to modify our growth and operating plans and business strategies based on available funding, if any, which would harm our ability to grow our business.

If we fail to retain or attract merchants and brands, or to increase their spending with us, our business, financial condition, and results of operations may be materially and adversely affected.

Revenue generated from our business side customers, such as advertising and content-commerce solutions revenue from merchants and brands, is crucial to our business. In 2019, 2020, and 2021, advertising revenue and content-commerce solutions revenue accounted for 86.2%, 72.4%, and 72.1% of our total revenue, respectively. We cannot assure you that we will be able to retain existing or attract new merchants and brands effectively. If the marketing budgets of merchants and brands decrease, or if they believe that they can achieve better returns elsewhere, we may experience a decline in their spending with us. Our competitors may provide better advertising or content-commerce solutions. If merchants and brands believe that their spending on online content communities do not generate expected returns, they may also switch to other internet channels such as search engines, news platforms, short video platforms, e-commerce platforms, and social media platforms, or other traditional channels such as television, newspapers, and magazines, and reduce or discontinue business with us. Merchants and brands may find online advertising to be ineffective to market their products and services, and competition may lead to a decrease in our fee rates. In addition, our content-commerce solutions are still at an early stage of development. If the commercial content created through our content-commerce solutions does not appeal to or is not successfully distributed to the targeted audience, this business may not attract sufficient merchants and brands or generate expected revenue. Moreover, merchants and brands may have limited experience in content-commerce solutions, and may not be able to utilize our solutions effectively to achieve expected commercial results or otherwise meet their expectation. Furthermore, some of the merchants and brands may have different budget allocation strategies, which may affect their spending on our online advertising and content-commerce solutions. Failure to retain existing or attract new merchants and brands, to increase their spending with us, or to develop effective online advertising or content-commerce solutions may materially and adversely affect our business, financial condition, and results of operations.

We cannot assure you that our new business initiatives and monetization strategies will be successfully implemented.

Our content-centric monetization strategies are evolving. We derive revenues primarily from online advertising, paid membership, content-commerce solutions, and vocational training. We also continue to identify monetization opportunities and introduce additional products and services, such as e-commerce. We may have limited experience in operating and achieving profitability in new business initiatives. If our new business initiatives or

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monetization strategies fail, we may not be able to maintain or increase our revenue or recover any associated costs, expenses, and other expenditures. If these new business initiatives fail to attract or retain users or to generate sufficient revenue to justify our investments, our business, financial condition, and results of operations may be materially and adversely affected.

We operate in a highly competitive market, and may not be able to compete effectively.

We operate along other online content communities, including Q&A-inspired online communities. Some of our competitors have a longer operating history, a larger user base, or greater financial resources than we do. We compete to attract, engage, and retain users, content creators, and merchants and brands. Our competitors may compete with us in a variety of ways, including by providing better content, fulfilling evolving user needs, providing content creation utilities, as well as conducting brand promotions and other marketing activities. Except for certain exclusive content on Zhihu, our content creators are generally free to post their content on our competitors' communities or platforms, which may divert user traffic from the Zhihu community. If any of our competitors achieves greater market acceptance than we do or is able to offer more attractive content, our user base and our market share may decrease, which may materially and adversely affect our business, financial condition, and results of operations.

If we fail to keep up with the technological developments, our business, financial condition, results of operations, and prospects may be materially and adversely affected.

The online content communities are rapidly evolving with continued technological advancement, and our success will depend on our ability to keep up with such technological advancement. For example, failure to maintain or improve the effectiveness of our “fulfillness” approach and TopicRank algorithms may impair our comprehension of content and understanding of content creators and thus adversely affect our capability to manage content operations and the user experience; failure of our content-filtering system and anti-spamming system may adversely affect our ability to ensure a healthy community culture and provide superior user experience; failure to introduce effective productivity tools to content creators may cause a decline in the volume and quality of our content, which would adversely affect the attractiveness of the Zhihu community; and failure to continually refine our question routing system may lead to difficulties in distributing content to relevant users, which could result in reduced user traffic and user base.

We may not be able to execute our technological strategies successfully due to a variety of reasons such as technical difficulties, inaccurate predictions of industry trend and demand, or lack of necessary resources. Failure to keep up with technological advancement may result in less attractive products and services, which may in turn materially and adversely affect our business, financial condition, results of operations, and prospects.

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Our business is subject to complex and evolving laws and regulations regarding cybersecurity and data privacy.

We face challenges with respect to the complex and evolving laws and regulations regarding cybersecurity and data privacy. We collect personal data from our users in order to better understand them and their needs, and are subject to cybersecurity and data privacy laws in China and other applicable jurisdictions, including without limitation the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), the PRC Data Security Law (《中華人民共和國數據安全法》), and the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), pursuant to which we are required to maintain the confidentiality, integrity, and availability of the information of our users, customers, and suppliers, which is also essential to maintaining their confidence in our services. However, the interpretation and implementation of such laws in China and elsewhere are often subject to uncertainties. Concerns about the collection, use, disclosure, or security of personal information or other privacy-related matters, with or without merit, or failure to comply with the relevant laws and regulations could subject us to penalties, damage our reputation and brand, cause us to lose users, or result in increased operating cost and expenses, any of which could materially and adversely affect our business and results of operations.

In November 2016, the Standing Committee of the National People’s Congress promulgated the PRC Cybersecurity Law, which took effect on June 1, 2017 and provides that network operators must meet their cybersecurity obligations and must take technical measures and other necessary measures to protect the safety and stability of their networks. The Cybersecurity Law is still subject to interpretation by the PRC government authorities. Although we only gain access to user information that is necessary for, and relevant to, the services provided, the data we obtain and use may include information that is deemed as “personal information” under the Cybersecurity Law and related data privacy and protection laws and regulations. See “Regulations—Regulations Relating to Information Security.”

In addition, on June 10, 2021, the Standing Committee of the National People’s Congress promulgated the PRC Data Security Law, which took effect on September 1, 2021. The PRC Data Security Law provides for a data security review procedure for the data processing activities that affect or may affect national security. It also imposes data security obligations on persons and entities conducting data processing activities and requires data processors to take necessary measures to protect data security. On August 20, 2021, the Standing Committee of the National People’s Congress promulgated the PRC Personal Information Protection Law, which took effect on November 1, 2021. Although it is our policy to only access user information that is necessary for, and relevant to, the services provided and we update our privacy policies and practices in accordance with regulatory developments, we may be required to make further adjustments to our data practices as the PRC Personal Information Protection Law is newly promulgated and the interpretation of many of its specific requirements remain to be clarified by the government authorities or is otherwise subject to uncertainties.

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While we take measures to comply with all applicable cybersecurity and data privacy laws and regulations, we cannot assure you the effectiveness of the measures undertaken by us and our business partners. The activities of third parties, such as merchants, brands, and other business partners are beyond our control. If any of these third parties violate the PRC Cybersecurity Law and related laws and regulations, or fail to fully comply with the service agreements with us, or if any of our employees fails to comply with our control measures and misuses the information, we may be subject to regulatory actions, disputes and litigations. Any actual or perceived failure to comply with all applicable cybersecurity and data privacy laws and regulations, or any actual or perceived failure of our business partners to do so, or any actual or perceived failure of our employees to comply with our internal control measures, may result in legal proceedings or regulatory actions against us, and could damage our reputation, discourage current and potential users and business partners from using our services and subject us to claims, fines, and damages, which could materially and adversely affect our business and results of operations.

New laws or regulations concerning data protection, or the interpretation and implementation of existing data security and privacy protection laws or regulations may be announced, published for public consultations, issued, or promulgated from time to time. For example, on December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC government authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effect on February 15, 2022 and restate and expand the applicable scope of the cybersecurity review as set forth in the Measures for Cybersecurity Review that were promulgated in April 2020 and effective in June 2020. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that intend to purchase internet products and services and internet platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. The Cybersecurity Review Measures further stipulate that if an internet platform operator has personal information of over one million users and pursues a foreign listing (國外上市), it must be subject to the cybersecurity review. Given that the Cybersecurity Review Measures was recently promulgated, there are substantial uncertainties as to its interpretation, application, and enforcement. On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations, for public comments. The Draft Data Security Regulations provides that data processors conducting the following activities must apply for cybersecurity review: (i) merger, reorganization, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests, which affects or may affect national security; (ii) a foreign listing by a data processor processing personal information of over one million users; (iii) a listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. There have been no further clarifications from the authorities as of the Latest Practicable Date as to the standards for determining such activities that “affects or may affect national security.” The period for which the CAC solicited comments on this draft ended on December 13, 2021, but there is no timetable as to when the draft regulations will be

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enacted. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation, and implementation of the draft regulations, including the standards for determining activities that “affects or may affect national security” for a listing in Hong Kong.

Furthermore, the PRC government authorities have taken steps to limit the method and manner that the internet companies may apply when using the algorithms. For instance, the CAC, together with eight other government authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services (《關於加強互聯網信息服務算法綜合治理的指導意見》) on September 17, 2021, which provide that daily monitoring of data use, application scenarios, and effects of algorithms must be carried out by the relevant regulators, and relevant regulators should conduct security assessments of algorithms. The guidelines also provide that an algorithm filing system should be established, and classified security management of algorithms should be promoted. In addition, on December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, and the SAMR promulgated the Administrative Provisions on Internet Information Service Algorithm-Based Recommendation (《互聯網信息服務算法推薦管理規定》), which took effect on March 1, 2022. The Administrative Provisions on Internet Information Service Algorithm-Based Recommendation stipulates that algorithm-based recommendation service providers should inform users of their provision of algorithm-based recommendation services in a conspicuous manner, and publicize the basic principles, purpose intentions, and main operating mechanisms of algorithm-based recommendation services in an appropriate manner. We will continue to take necessary measures, and do not foresee any material impediments, in meeting the relevant compliance requirements set forth in Administrative Provisions on Internet Information Service Algorithm-Based Recommendation and other relevant rules. We will closely monitor the regulatory development and adjust our business operations from time to time to comply with the regulations over algorithm-based recommendation. Although our current operations were in compliance in material respects with the algorithm-based recommendation rules as of the Latest Practicable Date, we cannot assure you that our content operations will continue to be in compliance with the algorithm-based recommendation rules in all respects. If our content operations are forced to change in a way to ensure full compliance with the algorithm-based recommendation rules, our ability to enhance the quality of content in the Zhihu community may be adversely affected.

The interpretation and application of these PRC cybersecurity and data privacy laws, regulations, and standards are still evolving. It hence remains uncertain whether the future regulatory changes would impose additional compliance requirements on companies like us. We cannot predict the impact of the Draft Data Security Regulations, if any, at this stage, and we will closely monitor and follow any development in the promulgation process. It is uncertain when the final measures will be issued and take effect, how they will be enacted, interpreted, or implemented, and whether and how they will affect us. If the enacted version of the Draft Data Security Regulations mandates clearance of cybersecurity review and other specific actions on companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant

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operations, or removal of our app from the relevant application stores, among other penalties, which could materially and adversely affect our business and results of operations. See “Regulations—Regulations Relating to Information Security.”

Complying with evolving laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially increases our operating cost and expenses or affects our growth momentum that can be adverse to our business. In addition, some foreign countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services.

Any compromise of the cybersecurity of our online community could materially and adversely affect our business, operations, and reputation.

Our products and services involve the storage and transmission of users’ and other customers’ information, and security breaches or vulnerabilities affecting our or our vendors’ technology, products, and systems could expose us to a risk of loss of this information, litigation, and potential liability. We experience cyber-attacks of varying degrees from time to time, and we have been able to neutralize attacks without significant impact to our operations in the past. We use third-party technology and systems for a variety of reasons, such as data storage and transmission, cloud services, and other functions. Some of such systems have experienced past security breaches, and, although they did not have a material adverse effect on our operating results, we cannot assure you a similar result in the future. Our security measures may also be breached due to employee error, malfeasance, or otherwise. In addition, outside parties may attempt to fraudulently induce employees, users, or other customers to disclose sensitive information in order to gain access to our data or our users’ or other customers’ data or accounts, or may otherwise obtain access to such data or accounts. Because the techniques used to obtain unauthorized access, disable, or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose users and other customers, and may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could materially and adversely affect our business, reputation, and results of operations.

We use certain key operating metrics to evaluate the performance of our business, and real or perceived inaccuracies in such metrics may harm our reputation and adversely affect our business.

We use certain key operating metrics, such as MAUs, number of monthly subscribing members, and paying ratio, among others, to evaluate the performance of our business. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. We calculate these operating metrics using internal company data. There are inherent challenges in

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measuring such key metrics and internal data, and measurement of such metrics and data may be susceptible to delays and technical errors. For example, for purposes of calculating mobile MAUs, we treat each device as a separate user even though it is possible that there may be circumstances where some users may use more than one mobile devices to access our platform or where multiple users may share one mobile device to access our platform. As such, we are unable to quantify such potential duplication. If we discover material inaccuracies in the operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and the evaluation methods and results of our business may be impaired, which could adversely affect our business. If investors make investment decisions based on the operating metrics we disclose that are inaccurate, we may also face potential lawsuits or disputes.

We may be subject to regulatory actions or legal proceedings in the ordinary course of our business. If the outcomes of these regulatory actions or legal proceedings are adverse to us, it could materially and adversely affect our business, financial condition, and results of operations.

We may be subject to regulatory actions, litigation, disputes, or claims of various types brought by relevant regulatory authorities or our competitors, users, content creators, employees, or other third parties against us in the ordinary course of our business. Such regulatory actions, disputes, allegations, complaints, or legal proceedings may damage our reputation, evolve into litigations, or otherwise materially and adversely affect our reputation and business. For example, as a UGC-based online content community, we may not be able to identify and remove all illegal or inappropriate content in response to user or any third party complaints on a timely basis. As such, we have been, and expect to continue to be, involved in disputes or legal proceedings arising out of defamation, invasion of privacy, or other infringement claims. We may become subject to additional types of legal or regulatory proceedings as our business grows and the variety of our services expands. Litigation is expensive, may subject us to the risk of significant damages, requires significant managerial resources and attention, and could materially and adversely affect our business, financial condition, and results of operations. The outcomes of actions we institute may not be successful or favorable to us. Lawsuits against us, whether meritorious or not, may also generate negative publicity that significantly harms our reputation, which may adversely affect our user base.

Advertisements displayed in the Zhihu community may subject us to penalties and other administrative actions.

We monitor the advertisements displayed in the Zhihu community to ensure that they comply with applicable laws and regulations. In addition, where advertisers are required to obtain special government approvals for specific types of advertisements prior to delivering such advertisements on the internet, such as advertisements relating to medical care, pharmaceuticals, medical instruments, agrochemicals, and veterinary pharmaceuticals, we take steps to check or verify that the advertisers have fulfilled the requisite government requirements. Non-compliance with these laws and regulations may subject us to penalties, including imposition of fines, confiscation of our advertising income, order to cease

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dissemination of the advertisements, and order to publish an announcement correcting the misleading information. Under the circumstances of any serious violation by us, PRC government authorities may force us to terminate our online advertising services or revoke our licenses, and we and responsible persons may incur criminal liability.

We cannot assure you that all content contained in the advertisements displayed in the Zhihu community complies with applicable advertising laws and regulations, especially given the uncertainty in the interpretation of certain relevant PRC laws and regulations. The PRC government may, from time to time, promulgate new advertising laws and regulations in the future to impose further requirements on online advertising services relating to specific industries, such as medical care, pharmaceuticals, health care, and other similar businesses. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may materially and adversely affect our business, financial condition, results of operations, and prospects.

We depend on service providers to provide services that are critical to our business, which exposes us to various risks that may materially and adversely affect our reputation, business, financial condition, and results of operations.

We currently use a large number of third-party service providers to provide services that are critical to our businesses. We have engaged third-party service providers to provide online payment, content distribution, data support, and other services. If any of these service providers breaches the obligations under the contractual arrangements to provide such service to us, or refuses to renew these service agreements on terms acceptable to us, we may not be able to find a suitable alternative provider for the service. Similarly, any failure of or significant quality deterioration in such service provider's service platform or system could materially and adversely affect our user perception and may also result in reduced user visits or cancelation of premium content purchases. If any such risks were to materialize, our reputation, business, financial condition, and results of operations could be materially and adversely affected.

Any significant disruption to our technology infrastructure or our failure to maintain the satisfactory performance, security, and integrity of our technology infrastructure would adversely affect user experience and harm our reputation.

Our ability to provide users with superior experience depends on the continuous and reliable operation of our technology infrastructure, including our IT systems and cloud infrastructure, the failure of which may significantly impair our user experience and decrease the overall attractiveness of our community to both users and advertisers. Disruptions, failures, or unscheduled service interruptions could hurt our reputation and cause our users and advertising clients to choose our competitors' platforms. Our IT systems are vulnerable to damage or interruption as a result of fires, floods, earthquakes, power losses, telecommunications failures, undetected errors in software, computer viruses, hacking, and other attempts to harm our systems. These interruptions may be due to unforeseen events that are beyond our control or the control of our third-party service providers. We have experienced

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general intermittent interruptions in the past, and may continue to experience similar interruptions in the future despite our continuous efforts to improve our IT systems. Since we host our servers at third-party internet data centers, any natural disaster or unexpected closure of internet data centers operated by third-party providers may result in lengthy service interruptions.

If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party service providers, the experience of our users and merchants and brands with us may be negatively affected, which in turn, may materially and adversely affect our reputation. We cannot assure you that we will be successful in minimizing the frequency or duration of service interruptions. As our user base further grows and our users generate more content in our community, including videos which are larger in size, we may be required to expand and adapt our technology infrastructure to reliably store, process, monitor, and distribute the content, the failure of which could also adversely affect our user experience.

Non-compliance on the part of our employees, business partners, or other third parties involved in our business could adversely affect our business.

Our compliance controls, policies, and procedures may not protect us from acts of our employees, business partners, or other third-parties that violate the laws or regulations of the jurisdictions in which we operate, which may adversely affect our business. In addition, our business partners may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, disrupt our business. We identify irregularities or non-compliance in the business practices of any parties with whom we pursue existing or future cooperation and we cannot assure you that any of these irregularities will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation and in turn, our results of operations.

If content in our online community is found to be objectionable or in violation of any PRC laws or regulations, we may be subject to administrative actions or negative publicity.

Content in our community may draw social attention, which may cause controversies. Moreover, the PRC government and regulatory authorities have adopted regulations governing illegal content and information over the internet. Under these regulations, internet content providers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent, violent, or defamatory. Internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as socially destabilizing or leaking state secrets of China. The PRC government and regulatory authorities strengthen the regulation on internet content from time to time. For example, the PRC Cybersecurity Law provides that, among other things, a network operator must keep record of and report any instances of public dissemination of prohibited content and failure to do so may result in revocation of its relevant business license and termination of business. With respect to audio-visual and live streaming content, the

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Administrative Provisions on Online Audio-Visual Information Services (《網絡音視頻信息服務管理規定》) provide that online audio-visual information service providers are the principals responsible for managing the security of information content, and should establish and improve their internal policies on user registration, scrutiny of information publication, and information security management, and that they must report users' production, publication, and dissemination of prohibited content. In addition, the Regulations on Administration of Network Short Video Platforms (《網絡短視頻平台管理規範》) require that all short videos to be reviewed before being broadcasted. Moreover, the Circular of the State Administration of Press, Publication, Radio, Film and Television on Issues Concerning Strengthening the Administration of Online Live Streaming of Audio-Visual Programs (《國家新聞出版廣電總局關於加強網絡視聽節目直播服務管理有關問題的通知》) requires online audio-visual live streaming service providers to monitor the living streaming content, and to have an established emergency reaction plan to replace content that violates PRC laws and regulations. The Administrative Regulations on Online Live Streaming Services (《互聯網直播服務管理規定》) require online live streaming service providers to establish review platforms for live streaming content. Any failure to comply with the aforementioned regulations may cause negative publicity and subject us to fines or other penalties, which could materially and adversely affect our business, reputation, and results of operations. We have been fined and subject to other penalties imposed by the relevant authorities, including official reprimands, suspension of content dissemination, fines, and removal or suspension of our apps from mobile app distribution channels, due to illegal content in our community. For example, in March 2018, per order by Beijing Cybersecurity Administration, our Zhihu app was temporarily removed from Apple's and Android's app stores for seven days due to dissemination of inappropriate information and mismanagement of the community. In addition, the PRC regulatory authorities may conduct supervisory interviews with internet content providers, including us, regarding content deemed to be inappropriate or objectionable. We have been subject to, and expect to continue to be subject to, supervisory interviews from time to time, which may cause negative publicity and harm our reputation. For more information on relevant laws and regulations, see "Regulations—Regulations Relating to Internet Audio-Visual Program Services," and "Regulations—Regulations Relating to Information Security."

We cannot assure you that we can identify all objectionable or illicit content or timely remove such content due to the large amount of content uploaded by our users every day. Failure to identify and prevent illegal or inappropriate content from being uploaded to our community could, from time to time, subject us to negative publicity or regulatory challenges and actions, such as official reprimands, imposition of fines, limiting the dissemination of content, and suspension or removal from app distribution channels.

Laws, regulations, and rules, government or judicial interpretations, and implementations may change in a manner that could render our current efforts insufficient. If government actions or penalties are brought or pending against us, or if there is publicity that government actions or penalties have been brought or otherwise are pending against us, our reputation and brand image could be harmed, we may lose users and business partners, and our revenue and results of operation may be materially and adversely affected.

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We may be subject to risks associated with strategic acquisitions.

When appropriate opportunities arise, we may strategically acquire additional businesses or assets that are complementary to our existing business. The acquisitions and the subsequent integration of new businesses and assets into our own require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could materially and adversely affect on our operations. Acquired assets or businesses may not generate the financial results or realize the synergies as we expect. For example, we may not realize the intended synergies following our acquisitions of related businesses in vocational training space in enriching the content supply for our relevant operations if we fail to effectively integrate their businesses.

In addition, we may not be able to effectively identify appropriate businesses for strategic acquisitions, and the costs of identifying and consummating acquisitions may be significant. Acquisitions could result in the use of substantial amount of cash, potentially dilutive issuances of equity securities, the recognition of goodwill in connection with acquisitions, which may lead to significant impairment charges, amortization expenses for other intangible assets, and exposure to potential unknown liabilities of the acquired business. Our acquisitions involved and may continue to involve performance-based purchase price adjustments, which may result in an increase in the cash or equity-based consideration. We may need approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increasing delay and costs and may derail our business strategy if we fail to do so. Any failure in relation to the potential strategic acquisitions, or other potential strategic alliances we may enter with various parties from time to time, may materially and adversely affect our business, financial condition, and results of operations.

We work with certain channel partners, which mainly include partners for pre-installations on mobile devices and application marketplaces, for our user growth. If any of our major channel partners becomes less effective or terminates collaboration with us, our user growth, financial condition, results of operations, and prospects could be materially and adversely affected.

We work with certain channel partners for app pre-installations of on mobile devices to support our user growth. Currently, all pre-installations of the Zhihu app are made on Android devices, representing an insignificant portion of the Zhihu app installations on Android devices. Due to the intense competition, these channel partners may raise their charges on us to a point where it becomes cost inefficient for us to increase user growth through them, or they may decide to discontinue their collaboration with us. In addition, if these channel partners raise their charges on us, our margins could be adversely affected. The collaboration also highly depends on the total amount of smartphone shipment and sales of these channel partners, which may fluctuate or slow down compared with prior years. The growth of our user base is impacted by the pre-installations of the Zhihu app on mobile devices. A continued slowdown of new smartphone market in China may adversely affect our user growth.

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In addition, we work with application marketplaces, such as Apple's app store and various app stores on Android devices, to drive downloads of the Zhihu app. Currently, a majority of the downloads of the Zhihu app are from the app stores on Android devices. As such, the promotion, distribution, and operation of the Zhihu app are subject to the standard terms and policies for application developers of these application marketplaces, which are subject to the interpretation of, and frequent changes by, these application marketplaces. If these third-party application marketplaces change their terms and conditions in a manner that is detrimental to us, or refuse to distribute the Zhihu app, or if any other major channel with which we seek collaboration becomes less popular or effective, or refuses to collaborate with us in the future on commercially favorable terms, our user growth, financial condition, results of operations, and prospects may be materially and adversely affected.

Many of our products and services utilize open-source software, which may pose particular risks to our proprietary software, products and services in a manner that negatively affects our business.

We use open source software in our products and services and will continue to use open source software in the future. There is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully.

Our success depends on the efforts of our key employees, including our senior management members and other technology talents. If we fail to hire, retain, and motivate our key employees, our business may suffer.

We depend on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers or other key employees could harm our business. Competition for qualified talent in China is intense, particularly in the content-related internet and technology industries. Our future success depends on our ability to attract a large number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected and the trading price of our Class A ordinary shares or ADSs could suffer. Our need to significantly increase the number of our qualified employees and retain key employees may cause us to materially increase compensation-related costs, including stock-based compensation.

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We have granted, and may continue to grant, options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses.

We adopted an equity incentive plan in 2012, or the 2012 Plan. For the years ended December 31, 2019, 2020, and 2021, we recorded RMB179.7 million, RMB180.1 million, and RMB541.0 million (US\$84.9 million), respectively, in share-based compensation expenses. Competition for highly skilled personnel is often intense and we may incur significant costs or may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Furthermore, perspective candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. Thus, our ability to attract or retain highly skilled employees may be adversely affected by declines in the perceived value of our equity or equity awards. Furthermore, there are no assurances that the number of shares reserved for issuance under the 2012 Plan will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees

We are subject to risks associated with cash management activities.

We invest our cash reserved for future deployment in wealth management products for cash management purposes from time to time, which generate investment income. Our investment in wealth management products are associated with various risks. Under PRC law, banks and wealth management agencies are not allowed to contractually promise that the wealth management products that they offer are principal-guaranteed or will yield interest income. In addition, we are subject to risks that any of the banks or wealth management agencies that sell us wealth management products may not perform their contractual obligations, such as in the event of insolvency. As a result, the income generated from and the market value of the wealth management products that we purchase may be adversely affected. The aforementioned risks are subject to market and economic conditions. Government policies affecting wealth management products and our investment policy may also change in ways unfavorable to us. As we may continue to conduct those cash management activities, if any of the above adverse events occur, the products may fail to generate our expected return and we may even incur loss as a result.

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We are subject to payment processing risk.

Our subscribing members and business partners pay us using a variety of different online payment methods. We rely on third parties to process such payment. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as delays in receiving payments from payment processors and/or changes to rules or regulations concerning payment processing, our revenue, operating expenses and results of operation could be adversely impacted.

We also do not have control over the security measures of our third-party payment service providers, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet security breach were to occur, users concerned about the security of their online payments may become reluctant to purchase our products and services through payment service providers even if the publicized breach did not involve the payment systems or methods we use. If any of the above were to occur and damage our reputation or the perceived security of the payment systems that we use, we may lose subscribing members as they may be discouraged from purchasing products or services in our community, which may adversely affect our business and results of operations.

We have been, and may continue to be, subject to claims and allegations relating to intellectual property and other causes.

As a leading online content community, it is essential for us to operate our business without infringing or otherwise violating third-party rights, including third-party intellectual property rights. Companies in the internet, technology, and media industries own, and are seeking to obtain, a large number of patents, copyrights, trademarks, know-how, and trade secrets, and they are frequently involved in litigation arising from allegations of infringement, misappropriation, or other violations of intellectual property rights. There may be third-party patents issued or pending that cover significant aspects of our technologies, products, or services, and such third parties may attempt to enforce such rights against us. The content in our community may expose us to claims and allegations relating to intellectual property and other causes. Although we have processes and procedures to screen content that is subject to copyright or other intellectual property right claims, we may not be able to identify, remove, or disable all potentially infringing content that may exist. As a result, third parties may act and file claims against us if they believe that certain Zhihu content violates their copyright or other intellectual property rights.

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We are presently involved in and expect to continue to be subject to legal or administrative actions for defamation, negligence, copyright and trademark infringement, unfair competition, breach of service terms, or other purported injuries resulting from the Zhihu content and the nature of our services. Such legal and administrative actions, with or without merits, may be expensive and time-consuming, may result in significant diversion of resources and management attention from our business operations, and may adversely affect our brand and reputation. As of the Latest Practicable Date, we were not subject to any claims or allegations relating to intellectual property that were material to our business operations.

We may not be able to adequately protect our intellectual property rights, and any failure to protect our intellectual property rights from infringement such as unauthorized use of our intellectual properties by third parties and the expenses incurred in protecting our intellectual property rights could materially and adversely affect our business and competitive position.

We rely on a combination of patent, trademark, copyright, domain name, and trade secret protection laws in China and other jurisdictions, as well as confidentiality procedures and other contractual terms to protect our intellectual property rights and brand. Protection of intellectual property rights in China may not be effective in protecting our rights, and, as a result, we may not be able to adequately protect our intellectual property rights, which could materially and adversely affect our business and competitive position. These violations of intellectual property rights, whether or not successfully defended, may also discourage content creation. In addition, any unauthorized use of our intellectual properties by third parties may adversely affect our business and reputation. In particular, our members may abuse their membership privilege or illegally distribute paid content exclusively available to paid members, which could materially and adversely affect our business. Furthermore, we may have difficulty addressing the threats to our business associated with infringement of our copyrighted content, particularly our premium content available under our Yan Selection (鹽選) membership program. Our content may be potentially subject to unauthorized copying and illegal digital dissemination without any economic return to us. We adopt a variety of measures to mitigate such risks, including by litigation and through technology measures. However, we cannot assure you that such measures will be effective in protecting our intellectual property rights.

While we typically require our employees, consultants, and contractors who may be involved in the development of intellectual properties to execute agreements assigning such intellectual property rights to us, we may fail to execute such an agreement with each party who in fact develops intellectual properties that we regard as our own. In addition, such agreements may not be self-executing such that the intellectual property rights subject to such agreements may be assigned to us only with additional assignments being executed, and we may fail to obtain such assignments. Furthermore, such agreements may be breached. Accordingly, we may be forced to act against third parties, or defend claims that they may bring against us relating to the ownership of such intellectual property rights.

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Managing or preventing unauthorized use of intellectual properties is difficult and expensive, and we may need to resort to litigation or other legal proceedings to enforce or defend intellectual property rights or to determine the enforceability, scope, and validity of our proprietary rights or those of others. Such litigation or other legal proceedings and an adverse determination in any such litigation or other legal proceedings could result in significant costs and diversion of resources and management attention, which could materially and adversely affect our business, financial condition, and results of operations.

If we fail to implement and maintain an effective system of internal controls to remediate our material weakness over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud, and investor confidence and the market price of our Class A ordinary shares or ADSs may be materially and adversely affected.

In the course of auditing our consolidated financial statements as of and for the years ended December 31, 2019 and 2020, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting and other control deficiencies. The material weakness identified relates to our lack of sufficient financial reporting and accounting personnel with appropriate understanding and knowledge of U.S. GAAP to handle complex accounting issues and to establish and implement key controls over period end closing and financial reporting to properly prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act of 2002 for purposes of identifying and reporting any weakness in our internal control over financial reporting. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional material weaknesses or control deficiencies may have been identified.

We have implemented a number of measures to address the material weakness, including: (i) we have hired additional accounting staff with adequate experience and knowledge with U.S. GAAP and SEC reporting requirements to address complex U.S. GAAP technical accounting issues, strengthen the financial reporting function, and set up an internal control framework to prepare and review the financial statements and related disclosures in accordance with U.S. GAAP and SEC financial reporting requirements; (ii) we have implemented regular U.S. GAAP and SEC financial reporting training programs for the accounting and financial personnel to equip them with sufficient knowledge and practical experience of preparing financial statements under U.S. GAAP and SEC reporting requirements; and (iii) we have developed and implement a comprehensive set of period-end financial reporting policies and procedures, especially for non-recurring and complex transactions to ensure consolidated financial statements and related disclosures are in compliance with U.S. GAAP and SEC reporting requirements.

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Although the aforementioned remediation measures were implemented, these measures will require validation and testing of the operating effectiveness of internal controls over a sustained period of financial reporting cycles. As a result, the previously identified material weakness still existed as of December 31, 2021.

We are a public company in the United States and are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, and the rules and regulations of the New York Stock Exchange. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, requires that we include a report from management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2022. In addition, once we cease to be an “emerging growth company” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated, or reviewed, or if it interprets the relevant requirements differently from us. In addition, as we have become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other or more material weaknesses or deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented, or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. Generally speaking, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations and lead to a decline in the trading price of our Class A ordinary shares or ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations, and civil or criminal liabilities.

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The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report in our SEC filings, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the PRC authorities, our auditor is currently not inspected by the PCAOB. As a result, we and investors in our securities are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our securities to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs will be prohibited from trading in the United States under the HFCAA in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The Holding Foreign Companies Accountable Act, or the HFCAA, which was signed into law on December 18, 2020, states that if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC will prohibit our shares or ADS from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in Mainland China and Hong Kong. The PCAOB identified our auditor as one of the registered public accounting firms that the PCAOB is unable to inspect or investigate completely. In March 2022, the SEC issued its first list of issuers identified under the HFCAA indicating that the companies on the list are now formally subject to the delisting provisions if they remain on the list for three consecutive years.

Whether the PCAOB will be able to conduct inspections of our auditor before the issuance of our financial statements on the annual report on Form 20-F for the year ending December 31, 2023, which is due by April 30, 2024, or at all, is subject to substantial uncertainty and depends on a number of factors out and our auditor's control. If our shares and ADSs are prohibited from trading in the United States, such a prohibition would substantially impair the ability of our investors to sell or purchase our ADSs when they wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of

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our Class A ordinary shares or ADSs. In addition, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would materially and adversely affect our business, financial condition, and prospects.

On June 22, 2021, the U.S. Senate passed a bill, which would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed a bill, which contained, among other things, an identical provision. If this provision is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two, then our shares and ADSs could be prohibited from trading in the United States in 2023.

It may be difficult for overseas regulators to conduct investigations or collect evidence within China.

Shareholder claims or regulatory investigation that are initiated in or otherwise relevant to jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. For example, in China, there are legal and other requirements for providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States or other jurisdictions may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law (《中華人民共和國證券法》), which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the PRC territory, and without the consent by the Chinese securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under the article have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigations or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests. See also “—Risks Relating to Our Shares and ADSs—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law” for risks associated with investing in us as a Cayman Islands company.

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A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business, financial condition, and results of operations.

The COVID-19 pandemic may continue to have a severe and prolonged negative impact on the Chinese and the global economy, including potential reductions in the advertising budget of our merchants and brands, which may affect our revenue and financial performance generally. Even before the outbreak of COVID-19, the global macroeconomic environment was facing challenges. The growth rate of the Chinese economy has gradually slowed in recent years and the trend may continue. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, financial condition, and results of operations. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

We face uncertainties associated with real name registration requirements.

In accordance with the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) and Administrative Provisions on Account Names of Internet Users (《互聯網用戶賬號名稱管理規定》), among other relevant laws and regulations, we impose real name registration requirements for all users in our Zhihu community when they sign up. When registering a Zhihu account, an individual user is required to submit her or his mobile phone number or alternative identification information, and a non-individual user is required to submit information of its business license and basic information of its designated person in charge of the account (including her or his real name, mobile phone number, identification card number, and other relevant identification documents). However, the relevant laws and regulations on real name registration, data privacy, and the internet information services in general are evolving, the interpretation and implementation of which are subject to uncertainties. See “Regulations—Regulations Relating to Mobile Internet Applications Information Services” and “Regulations—Regulations Relating to Internet Privacy” for more details. Any further rulemaking or intensifying regulations with respect to real name registration may increase our compliance burden and may adversely affect our user growth. In addition, we cannot assure you that all the information provided by our users will be accurate and free from fraudulent behaviors, which may adversely affect our compliance with the relevant provisions on real name registration requirements. Furthermore, in light of the evolving industry and technological advancements, we face challenges in developing our capabilities to meet the evolving demand for providing

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more meaningful identity means for our users while staying in compliance with the regulatory developments on real name registration and user privacy protection. Any failure in compliance may materially and adversely affect our business and prospects.

Our insurance coverage may not be adequate, which could expose us to costs and business disruption.

We do not have any business liability or disruption insurance coverage for our operations in China. Any material or extended business disruption may result in substantial costs and expenses and the diversion of our resources, financial, managerial, or otherwise, which could have an adverse effect on our business, financial condition, results of operations, and prospects.

We face risks related to natural disasters, health epidemics, and other outbreaks, which could significantly disrupt our operations.

Our business could be adversely affected by the effects of epidemics. The COVID-19 pandemic has caused, and may continue to cause, us and certain of our business partners to implement adjustment of work arrangements enabling employees to work from home and collaborate remotely. We have taken measures to reduce the negative impact of the COVID-19 pandemic, including upgrading our telecommuting system or monitoring our employees' health on a daily basis. However, we might still be subject to related impact, such as travel restrictions and delay or cancellation in our offline events, which may adversely affect our service quality. As a result, our business, financial condition, and results of operations have been adversely affected. For example, we experienced negative impact on our advertising revenue in the first half of 2020. Although our advertising revenue increased by 22.7% to RMB293.0 million in the first half of 2020 from RMB238.8 million in the first half of 2019, a higher growth rate might have been achieved if the COVID-19 pandemic had not taken place. We may continue to experience negative impact due to the COVID-19 pandemic. The extent to which the COVID-19 pandemic affects our operations and financial performance will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain the coronavirus, such as the availability of effective vaccines or cure, among others. Relaxation of restrictions on economic and social activities may also lead to new cases which may lead to re-imposed restrictions. We cannot assure you that the COVID-19 pandemic can be eliminated or contained in the near future, or at all, or a similar pandemic will not occur again. Another wave of COVID-19 or a similar pandemic could materially and adversely affect our business, financial condition, and results of operations.

In recent years, there have been other breakouts of epidemics in China and globally. Our operations could be disrupted if one of our employees is suspected of having H1N1 flu, avian flu, or another epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the PRC economy in general.

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We are also vulnerable to natural disasters and other calamities. Although we have servers that are hosted in an offsite location, our backup system does not capture data on a real-time basis and we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks, or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services.

Any future outbreak of contagious diseases, extreme unexpected bad weather or natural disasters would adversely affect our offline events. If there is a recurrence of an outbreak of certain contagious diseases or natural disasters, the offline events operated by us may be canceled or delayed. Government advices regarding, or restrictions on, holding offline events, in the event of an outbreak of any contagious disease or occurrence of natural disasters may materially and adversely affect our business and operating results.

The current tensions in international trade and rising geopolitical tensions involving China may adversely impact our business, financial condition, and results of operations.

Our business could be materially and adversely affected by the tensions in international trade such as the one between the United States and China in recent years. Changes to international trade policies could adversely affect the global economic conditions. In addition, geopolitical tensions between the United States and China have escalated due to, among other things, trade disputes, the COVID-19 outbreak, sanctions imposed by the U.S. Department of Treasury, and the executive orders issued by the U.S. government that may prohibit transactions with certain selected Chinese companies as well as their products and services. Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities between the two major economies. Such tensions involving China, and any escalation thereof, may negatively affect trading and business environments, which may, in turn, adversely impacting our business, financial condition, and results of operations.

The Global Offering will neither provide us with additional cash flow nor improve our liquidity position.

The Global Offering only involves sales of existing shares by the Selling Shareholders, and we will not receive any of the proceeds. As such, the Global Offering will neither provide us with additional cash flow nor improve our liquidity position. For our expected continuing loss-making in the near future, see “Financial Information—Business Sustainability” and “—Risks Relating to Our Business and Industry—We have incurred net loss and negative operating cash flow in the past, which may continue in the future.” If we are required to obtain new financing sources, which may be insufficient or unavailable, we may need to modify our growth and operating plans and business strategies based on available funding, if any, which would harm our ability to grow our business.

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We are subject to credit risk for trade receivables.

We may face credit risks in relation to our trade receivables, which primarily consist of outstanding amounts receivable from third parties. Our trade receivables increased from RMB245.9 million as of December 31, 2019 to RMB486.0 million as of December 31, 2020 and further increased to RMB831.6 million (US\$130.5 million) as of December 31, 2021, primarily due to the increases in revenues relating to our advertising services due from third parties. Collection of such trade receivables may be difficult and liquidity condition of these third parties may deteriorate. If a large number of third parties with outstanding trade receivables were to become insolvent or otherwise become unable or refuse to make payments in a timely manner, or at all, we would have to make provisions for these trade receivables, which could adversely affect our financial condition and results of operations. We recorded provision of allowance for expected credit losses of trade receivables in the amount of RMB11.9 million, RMB27.9 million, and RMB58.6 million (US\$9.2 million) as of December 31, 2019, 2020, and 2021, respectively.

Impairment loss charged against our intangible assets or goodwill could materially and adversely affect us.

Our results of operations could be adversely affected by impairment losses for our intangible assets and goodwill. As of December 31, 2019, 2020, and 2021, we had net intangible assets of RMB34.9 million, RMB23.5 million, and RMB68.3 million (US\$10.7 million), respectively, which primarily consist of license, content, brand name, and others. Intangible assets acquired in a business combination were recognized initially at fair value at the date of acquisition and are subsequently carried at cost less accumulated amortization and impairment losses (if any). Our goodwill amounted to RMB73.7 million (US\$11.6 million) as of December 31, 2021 in connection with our acquisitions and there was no impairment recorded in 2021. We will first perform a qualitative assessment on impairment of goodwill when necessary and perform a quantitative impairment test if it is more likely than not that the fair value of a reporting unit is less than the carrying amount. Any significant impairment loss charged against our intangible assets or goodwill could materially and adversely affect our business, financial condition, and results of operations.

Proceedings instituted by the SEC against PRC-based “big four” accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

Starting in 2011 the PRC-based “big four” accounting firms, including our independent registered public accounting firm, were affected by a conflict between U.S. and PRC law. Specifically, for certain U.S.-listed companies operating and audited in China, the SEC and the PCAOB sought to obtain from the Chinese firms access to their audit work papers and related documents. The firms were, however, advised and directed that under Chinese law, they could not respond directly to the U.S. regulators on those requests, and that requests by foreign regulators for access to such papers in China had to be channeled through the CSRC.

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In late 2012, this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, including our independent registered public accounting firm. A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future non-compliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or, in extreme cases, the resumption of the current proceeding against all four firms. If additional remedial measures are imposed on the PRC-based "big four" accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in China, which could result in financial statements being determined not to be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the market price of our Class A ordinary shares or ADSs may be adversely affected.

If our independent registered public accounting firm was denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined to be not in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of the ADSs or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of the ADSs in the United States.

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The fair value measurement of our short-term investments inherently involves a certain degree of uncertainty, and such investments may incur fair value losses.

From time to time, we purchase short-term investments, which mainly include investments in financial instruments with a variable interest rate indexed to performance of underlying assets, mostly held in state-owned or reputable financial institutions in China and reputable international financial institutions outside of China. Our short-term investments amounted to RMB1.5 billion, RMB1.0 billion, and RMB2.2 billion (US\$0.4 billion) as of December 31, 2019, 2020, and 2021, respectively. The methodologies that we use to assess the fair value of the short-term investments involve a significant degree of management judgment and are inherently uncertain. In addition, although we prudently manage our short-term investments portfolio and their respective term to ensure that they are readily convertible into cash from time to time in the event that there is a need for liquidity, we are exposed to credit risks in relation to our short-term investments, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions will create fair value gains on our short-term investments or we will not incur any fair value losses on our investments in the future. If we incur such fair value losses, our liquidity, financial condition, results of operations, and prospects may be adversely affected.

We are subject to risks associated with contract liabilities.

We had contract liabilities of RMB107.1 million, RMB160.0 million, and RMB239.8 million (US\$37.6 million) as of December 31, 2019, 2020, and 2021, respectively, which primarily relate to the payments received for advertising services, paid membership services, and content-commerce solutions in advance of performance under the contracts in the ordinary course of business. If for any reason we were to become unable to fulfill a large amount of these contract liabilities, we would have to refund the payments we received, which could materially and adversely affect our financial condition and liquidity position, and our brand image, reputation, and relationship with our customers and merchants and brands might be damaged.

RISKS RELATING TO OUR CORPORATE STRUCTURE

If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of internet-based businesses, such as provision of commercial internet information services, internet culture activities, and internet audio-visual program services, is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication enterprise (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centers) and the main foreign investor of such enterprise must have experience in providing value-added telecommunications services overseas and maintain

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a good track record in accordance with the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) issued on December 27, 2021 and effective on January 1, 2022, by the NDRC and the PRC Ministry of Commerce, and other applicable laws and regulations. In addition, foreign investors are prohibited from investing in enterprises engaging in internet culture activities except for music and providing internet audio-visual program services.

We are a company incorporated under the laws of the Cayman Islands. To comply with PRC laws and regulations, we conduct our internet-related business in China through our VIEs incorporated in China. Our VIEs are owned by PRC citizens or entities with whom we have contractual arrangements. The contractual arrangements give us effective control over our VIEs and enable us to obtain substantially all of the economic benefits arising from our VIEs as well as consolidate the financial results of our VIEs in our results of operations. Although the structure we have adopted is consistent with longstanding industry practice, and is commonly adopted by comparable companies in China, the PRC government may not agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. Our VIEs and their subsidiaries hold the licenses, approvals, and key assets that are essential for the operations of certain of our businesses.

In the opinion of Han Kun Law Offices, our PRC Legal Advisor, (i) the ownership structures of our WFOEs and our VIEs in China, both currently and immediately after giving effect to the Global Offering, do not violate any applicable and explicit PRC law, regulations, or rules currently in effect, and (ii) subject to the risks as disclosed in “—Risks Relating to Our Corporate Structure” and “Contractual Arrangements,” each agreement of the contractual arrangements between our WFOEs, our VIEs, and their equity holders governed by PRC law is valid, binding, and enforceable in accordance with their terms and applicable PRC laws and regulations currently in effect and does not violate any applicable and explicit PRC law currently in effect. There may be, however, uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of Han Kun Law Offices. If we are found in violation of any PRC laws or regulations or if the contractual arrangements among our WFOEs, our VIEs, and their equity holders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the contractual arrangements;
- revoke our business and operating licenses;
- require us to discontinue or restrict operations;

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- restrict our right to collect revenue;
- restrict or prohibit our use of the proceeds from our overseas offerings to fund our business and operations in China;
- shut down all or part of our websites, apps, or services;
- levy fines on us or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff, and assets;
- impose additional conditions or requirements with which we may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to our business.

Consequently, if the PRC government determines that the contractual arrangements constituting part of our VIE structure do not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, our Class A ordinary shares or ADSs may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of our VIEs. Our holding company in the Cayman Islands, our VIEs, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with our VIEs and, consequently, significantly affect the financial performance of our VIEs and our company as a group.

Furthermore, any of the equity interest in our VIEs under the name of any record equity holder of our VIEs may be put under court custody in connection with litigation, arbitration, or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the contractual arrangements. In addition, new PRC laws, rules, and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and contractual arrangements. The occurrence of any of these events or the imposition of any of these penalties may materially and adversely affect our ability to conduct internet-related businesses. In addition, if the imposition of any of these penalties causes us to be unable to direct the activities of our VIEs and their subsidiaries or the right to receive their economic benefits, we would no longer be able to consolidate our VIEs into our financial statements, which could materially and adversely affect our financial condition and results of operations.

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Our contractual arrangements may not be as effective in providing operational control as direct ownership and shareholders of our VIEs may fail to perform their obligations under our contractual arrangements.

Since PRC laws limit foreign equity ownership in certain businesses in China, such as provision of commercial internet information services, internet culture activities, and internet audio-visual program services, we operate such businesses in China through our VIEs, in which we have no ownership interest and rely on a series of contractual arrangements with our VIEs and their respective equity holders to control and operate these businesses. Our revenue and cash flow from our such businesses are attributed to our VIEs. The contractual arrangements may not be as effective as direct ownership in providing us with control over our VIEs. Direct ownership would allow us, for example, to exercise our rights directly or indirectly as a shareholder to effect changes in the boards of directors of our VIEs, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the contractual arrangements, as a legal matter, if our VIEs or their equity holders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our VIEs and may lose control over the assets owned by our VIEs. As a result, we may be unable to consolidate our VIEs in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

Our current corporate structure and business operations may be affected by the Foreign Investment Law.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law (《中華人民共和國外商投資法》), which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Rules of Foreign Investment Law (中華人民共和國外商投資法實施條例) promulgated by the State Council and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People's Court became effective on January 1, 2020. Since the Foreign Investment Law and its current implementation and interpretation rules are relatively new, uncertainties still exist in relation to their further application and improvement. According to the Foreign Investment Law, "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises, or other organizations, or "foreign investors," including the following: (i) foreign investors establishing foreign-invested enterprises in China alone or collectively with other investors; (ii) foreign investors acquiring shares, equities, properties, or other similar rights of Chinese domestic enterprises; (iii) foreign investors investing in new projects in China alone or collectively with other investors; and (iv) foreign investors investing through other ways prescribed by laws, regulations, or guidelines of the State Council. The Foreign Investment

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Law and its current implementation and interpretation rules do not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under the definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations, or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations, or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our VIEs through contractual arrangements will not be deemed as a foreign investment in the future.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in a “negative list.” The Foreign Investment Law provides that foreign-invested entities operating in “restricted” industries will require market entry clearance and other approvals from relevant PRC government authorities. Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition), the value-added telecommunication services we provide fall within the restricted category. If our control over our VIEs through contractual arrangements is deemed as a foreign investment in the future, and any business of our VIEs is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over our VIEs may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may materially and adversely affect our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

We may lose the ability to use, or otherwise benefit from, the licenses, approvals, and assets held by our VIEs, which could, render us unable to conduct some or all of our business operations and constrain our growth.

Our VIEs and their subsidiaries hold licenses, approvals, and assets that are necessary for the operation of certain of our businesses, as well as equity interests in a series of our portfolio companies, to which foreign investments are typically restricted or prohibited under applicable PRC law. The contractual arrangements contain terms that specifically obligate the equity holders of our VIEs to ensure the valid existence of our VIEs and restrict the disposition of material assets or any equity interest of our VIEs. However, in the event the equity holders of our VIEs breach the terms of these contractual arrangements and voluntarily liquidate any of our VIEs, or any of our VIEs declares bankruptcy and all or part of its assets become subject

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to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to operate some or all of our businesses or otherwise benefit from the assets held by our VIEs, which could materially and adversely affect our business, financial condition, and results of operations. Furthermore, if any of our VIEs undergoes a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of the VIEs, thereby hindering our ability to operate our business as well as constrain our growth.

The contractual arrangements with our VIEs may be subject to scrutiny by the tax authorities in China. Any adjustment of related party transaction pricing could lead to additional taxes, and therefore substantially reduce our consolidated profit and the value of your investment.

The tax regime in China is rapidly evolving, and there is significant uncertainty for taxpayers in China as PRC tax laws may be interpreted in different ways. The PRC tax authorities may assert that we or our subsidiaries or our VIEs owe and/or are required to pay additional taxes on previous or future revenue or income. In particular, under applicable PRC laws, rules, and regulations, arrangements and transactions among related parties, such as the contractual arrangements with our VIEs, may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities determine that any contractual arrangements were not entered into on an arm's length basis and therefore constitute a favorable transfer pricing, the PRC tax liabilities of the relevant subsidiaries and/or our VIEs could be increased, which could increase our overall tax liabilities. In addition, the PRC tax authorities may impose late payment interest. Our profit may be materially reduced if our tax liabilities increase.

The equity holders, directors, and executive officers of our VIEs, as well as our employees who execute other strategic initiatives may have potential conflicts of interest with our company.

The PRC laws provide that a director and an executive officer owes a fiduciary duty to the company he or she directs or manages. The directors and executive officers of our VIEs must act in good faith and in the best interests of our VIEs and must not use their respective positions for personal gain. On the other hand, under Cayman Islands law, our directors (i) owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests, (ii) must also exercise their powers only for a proper purpose, and (iii) owe to our company a duty to act with skill and care. We control our VIEs through contractual arrangements, and the business and operations of our VIEs are closely integrated with the business and operations of our subsidiaries. Nonetheless, conflicts of interests for these persons may arise due to dual roles both as directors and executive officers of our VIEs and as directors or employees of our company, and may also arise due to dual roles both as equity holders of our VIEs and as directors or employees of our company.

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We cannot assure you that these persons will always act in the best interests of our company should any conflicts of interest arise, or that any conflicts of interest will always be resolved in our favor. We also cannot assure you that these persons will ensure that our VIEs will not breach the existing contractual arrangements. If we cannot resolve any such conflicts of interest or any related disputes, we would have to rely on legal proceedings to resolve these disputes and/or take enforcement action under the contractual arrangements. There is substantial uncertainty as to the outcome of any such legal proceedings. See “—We may lose the ability to use, or otherwise benefit from, the licenses, approvals, and assets held by our VIEs, which could, render us unable to conduct some or all of our business operations and constrain our growth” above.

If we exercise the option to acquire equity ownership of our VIEs, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition), foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services, including ICP services, with the exception of e-commerce, domestic multi-party communications, storage-forwarding, and call centers businesses. Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council, the main foreign investor who invests in a value-added telecommunications business in China must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas, or the Qualification Requirements. Currently none of the applicable PRC laws, regulations, or rules provides clear guidance or interpretation on the Qualification Requirements. We face the risk of not satisfying the requirement promptly. In addition, the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) prohibits foreign investors from investing in internet audio-visual program services and internet culture activities with the exception of music. If the PRC laws were revised to allow foreign investors to invest in enterprises with internet audio-visual program or internet culture activities businesses in China, or to hold more than 50% of the equity interests of value-added telecommunications enterprises, due to the necessity of ICP services for internet audio-visual program services and internet cultural activities, we might be unable to unwind the contractual arrangements before we were able to comply with the Qualification Requirements, or if we attempt to unwind the contractual arrangements before we are able to comply with the Qualification Requirements we may be ineligible to operate our value-added telecommunication, internet audio-visual program, and internet culture activities businesses and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition, and results of operations.

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Pursuant to the contractual arrangements, we have the exclusive right to purchase all or any part of the equity interests in our VIEs from the respective equity holders for a nominal price, unless the relevant government authorities or PRC laws request otherwise, in which case the purchase price shall be adjusted to a minimum amount that meets the relevant requirements. Subject to relevant laws and regulations, the respective equity holders shall return any amount of purchase price they have received to the respective WFOE. If such a return of purchase price takes place, the competent tax authority may require the WFOE to pay enterprise income tax for ownership transfer income, in which case the amount of tax could be substantial.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China's economic, political or social conditions, or government policies could materially and adversely affect our business and results of operations.

Substantially all of our operations are conducted in China. Accordingly, our financial condition, results of operations, and prospects are influenced by economic, political, and legal developments in China. China's economy differs from the economies of other countries in many respects, including with respect to the government role, level of development, growth rate, control of foreign exchange, and allocation of state-owned or controlled resources. The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. While the PRC economy has experienced significant growth over the past decades, that growth has been uneven across different regions and between economic sectors and may not continue. The growth of the Chinese economy may not continue at a rate experienced in the past, and the impact of COVID-19 on the Chinese economy may continue. Any prolonged slowdown in the Chinese economy may reduce the demand for our services and materially and adversely affect our business and results of operations. Furthermore, any adverse changes in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on China's overall economic growth. Such developments could adversely affect our business and results of operations, lead to reduction in demand for our products and services and adversely affect our competitive position.

The legal system in China embodies uncertainties which could limit the legal protections available to us or impose additional requirements and obligations on our business, and PRC laws, rules, and regulations can evolve quickly, which may materially and adversely affect our business, financial condition, and results of operations.

We conduct our business primarily through our PRC subsidiaries and our VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The legal system in China is a civil law system based on statutes. Unlike common law systems, it is a system in which decided legal cases may be of reference value but have less precedential value. The legal system in China evolves rapidly, and the interpretations of laws, regulations, and rules may contain uncertainties. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC

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legal system, particularly with regard to internet-related industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation may be protracted and result in substantial costs and diversion of resources and management attention.

In addition, new laws and regulations may be enacted from time to time, and PRC laws, rules, and regulations can evolve quickly. Substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to our businesses. In particular, the PRC government authorities may continue to promulgate new laws, regulations, rules and guidelines governing internet companies with respect to a wide range of issues, such as competition and antitrust, privacy and data protection, intellectual property, and other matters, which may result in additional obligations imposed on us. Compliance with these laws, regulations, rules, guidelines, and implementations may be costly, and any incompliance or associated inquiries, investigations, and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, or materially and adversely affect our business, financial condition, and results of operations.

The approval or other administration requirements of the CSRC, the CAC, or other PRC governmental authorities may be required in connection with this offering under PRC law.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear. If CSRC approval is required, it is uncertain how long it will take for us to obtain such approval, and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or a delay in obtaining CSRC approval for this offering may subject us to penalties imposed by the CSRC and other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of penalties that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Advisor has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the approval under the M&A Rules for the Global Offering because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to this regulation; (ii) we established our WFOEs by means of direct investment and not through a merger or acquisition of the equity or assets of a “PRC domestic

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company” as such term is defined under the M&A Rules; and (iii) no provision in the M&A Rules classifies the contractual arrangements under the VIE agreements as a type of acquisition transaction falling under the M&A Rules.

However, our PRC Legal Advisor has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering, and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Advisor, and hence, we may face regulatory actions or other penalties from them.

Furthermore, the PRC government authorities may strengthen oversight over offerings that are conducted overseas and/or foreign investment in overseas-listed China-based issuers like us. Such actions taken by the PRC government authorities may intervene our operations at any time, which are beyond our control. For instance, on July 6, 2021, the relevant PRC governments promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), among which it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities. However, the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities were only issued recently, leaving uncertainties regarding the interpretation and implementation of these opinions. There is no assurance that any new rules or regulations promulgated in the future will impose additional requirements on us. On November 14, 2021, the CAC published the Draft Data Security Regulations for public comments, according to which, among others, a foreign listing of data processors processing over one million users’ personal information and listing in Hong Kong of data processors that affects or may affect national security must apply for cybersecurity review. In addition, on December 28, 2021, the CAC and several other PRC government authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), according to which, among others, if an internet platform operator has personal information of over one million users and pursues a foreign listing (國外上市), it must be subject to the cybersecurity review. The Cybersecurity Review Measures took effect on February 15, 2022. As the Draft Data Security Regulations have not been adopted and it remains unclear whether the formal version adopted in the future will have any further material changes, it is uncertain how these draft regulations will be enacted, interpreted or implemented and how they will affect us.

On December 24, 2021, the CSRC released the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), or the Draft Overseas Listing Provisions, which require that, among other things, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information with the CSRC. If a domestic

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company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company will be subject to administrative penalties such as warnings, fines, suspension of relevant business or operations, and revocation of licenses and permits, and its controlling shareholders, actual controllers, directors, supervisors, and senior executives may also be subject to administrative penalties such as warnings and fines. On the same day, the CSRC also issued the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for comments) (《境內企業境外發行證券和上市備案管理辦法 (徵求意見稿)》), or the Draft Filing Measures, which, among others, set forth the standards in determination of an indirect overseas listing by a domestic company, the responsible filing persons, and the procedures for the filing. The period for which the CSRC solicits comments on the Draft Overseas Listing Provisions and the Draft Filing Measures ended on January 23, 2022. As the Draft Overseas Listing Provisions and the Draft Filing Measures are not adopted and it remains unclear whether the formal version adopted in the future will have any further material changes, there remains substantial uncertainties as to how these drafts will be enacted, interpreted, or implemented and how they will affect our operations and the Global Offering.

As of the date of this prospectus, we had not received any inquiry, notice, warning, sanction, or any regulatory objection to the Global Offering from the CSRC, the CAC, or any other PRC regulatory agencies that have jurisdiction over our operations. If it is determined in the future that approval from, or filing procedure with, the CSRC, the CAC, or other governmental authorities is required for the Global Offering, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedure, and, even if we obtain such approval, the approval could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such filing procedure for the Global Offering, or a rescission of any such approval if obtained by us, would subject us to penalties by the CSRC, the CAC, or other PRC regulatory agencies for failure to seek approval, fulfill the necessary filing procedures, or obtain other governmental authorization for the Global Offering. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from the Global Offering into China, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our Class A ordinary shares and ADSs. The CSRC, the CAC, or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt the Global Offering before settlement and delivery of the Class A ordinary shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC, the CAC, or other regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals or other kinds of authorizations for the Global Offering, we cannot assure you that we can obtain such approval or authorization or complete the required filing procedures or other requirements in a timely manner, or at all, or obtain any waiver of aforesaid governmental requirements if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding such an approval or other requirements could materially and adversely affect the trading price of our Class A ordinary shares and ADSs.

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If we fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment applicable to our businesses in China, or if we are required to take compliance actions in this regard, our business, financial condition, and results of operations may be materially and adversely affected.

The internet and mobile internet industries in China are highly regulated. Our VIEs and their subsidiaries are required to obtain and maintain applicable licenses and approvals from different regulatory authorities in order to provide their current services. Under the current PRC regulatory regime, a number of regulatory authorities, including but not limited to the NRTA, the PRC Ministry of Culture and Tourism, the MIIT, the PRC State Council Information Office, and the CAC, jointly regulate all major aspects of the internet industry, including the mobile internet and online content communities. Operators must obtain various government approvals and licenses for relevant business.

We have obtained, among others, Value-Added Telecommunication Business Operation Licenses, or ICP Licenses, for the provision of commercial internet information services, Internet Cultural Business Licenses, or ICB Licenses, for commercial internet culture activities, Radio and Television Program Production and Operation Licenses, an Internet Medicine Information Service Qualification for non-commercial internet medicine information services, and Publication Operation Licenses through our VIEs and their subsidiaries.

We offer content in various formats, including certain video and live streaming content on our Zhihu app and website operated by Zhizhe Tianxia, and we plan to continue to offer video and live streaming content in our community. As such content offerings are considered as online transmission of audio and video programs, we may be required to obtain a Permit for Transmission of Audio-Visual Programs via Information Network, or an Audio-Visual Permit. Zhizhe Tianxia, the operator of our Zhihu app and website, does not hold the Audio-Visual Permit, but has registered with the National Internet Audio-Visual Platforms Information Registration and Management System instead. Based on our consultation with the NRTA, Zhizhe Tianxia is able to carry on its provision of video and live streaming contents on our Zhihu app and website upon registration with the National Internet Audio-Visual Platforms Information Registration and Management System. However, if the PRC regulatory authorities deem that we are not in compliance with the relevant legal requirements of holding a valid Audio-Visual Permit to cover the video and live streaming content in our community, we may be subject to fines, penalties, and/or orders to cease offering video and live streaming content, shut down website or revoke licenses, which may materially and adversely affect our business, financial condition, and results of operations. In addition, certain information posted on our Zhihu app and website by our users may be viewed as news information and the transmission of such information may be deemed as internet news information services, thereby requiring us to obtain an internet news information license. We cannot assure you that we will be able to obtain all the licenses necessary for our business operations if and when we are required to do so. Moreover, as we are and will continue to further develop and expand our business, we may need to obtain additional qualifications, permits, approvals, or licenses. We may also be

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required to obtain additional licenses or approvals if the PRC government adopts more stringent policies or regulations for our business. There is no assurance that we will be able to obtain such additional qualifications, permits, approvals, or licenses in a timely manner, or at all.

These licenses are essential to the operation of our business and are generally subject to regular government review or renewal. We cannot assure you that we will be able to maintain our existing licenses or permits necessary for our business operations, update information (such as website, apps, or legal representative) on file, or renew any of them when their current term expires.

In addition, considerable uncertainties exist in relation to the interpretation and implementation of existing and future laws and regulations governing our business activities. We could be found not in compliance with any future laws and regulations or of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. If we fail to complete, obtain, or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of unlawful gains, the imposition of fines, revocation of licenses, and the discontinuation or restriction of our operations. Any such penalties or changes in policies, regulations, or enforcement by government authorities, may disrupt our operations and materially and adversely affect our business, financial condition, and results of operations.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and materially and adversely affect our results of operations and the value of your investment.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, which became effective on January 1, 2008, an enterprise established outside China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform 25% enterprise income tax rate, or the EIT rate, on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organization body that effectively exercises full management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, the STA released the Notice of the State Taxation Administration Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or STA Circular 82, that sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Further to STA Circular 82, on July 27, 2011, STA issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or STA Bulletin 45, to

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provide more guidance on the implementation of STA Circular 82; the bulletin became effective on September 1, 2011 and revised on June 15, 2018. STA Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

Under STA Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals, and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. STA Bulletin 45 specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the PRC controlled offshore incorporated enterprise.

Although STA Circular 82 and STA Bulletin 45 explicitly provide that the above standards only apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, STA Circular 82 and STA Bulletin 45 may reflect STA's criteria for how the "de facto management body" test should be applied in determining the tax residence of foreign enterprises in general, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals. If the PRC tax authorities determine that we were treated as a PRC resident enterprise for PRC enterprise income tax purposes, the 25% PRC enterprise income tax on our global taxable income could materially and adversely affect our ability to satisfy any cash requirements we may have.

China's M&A Rules and certain other regulations establish complex procedures for certain acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time consuming and complex. In addition to the PRC Anti-monopoly Law (《中華人民共和國反壟斷法》), these include the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Security Review Rules (《商務部實施外國投資者併購境內企業安全審查制度的規定》), promulgated in 2011. These laws and regulations impose requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the Anti-Monopoly Law requires that the anti-monopoly enforcement agency be notified in advance of any concentration of undertaking if certain thresholds are triggered. On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for

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the Internet Platform Economy Sector (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》), which stipulates that any concentration of undertakings involving variable interest entities is subject to anti-monopoly review. Moreover, the Security Review Rules specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. On December 19, 2020, the NDRC and the Ministry of Commerce jointly issued the Measures for the Security Review for Foreign Investment (《外商投資安全審查辦法》), which took effect on January 18, 2021. These measures set forth the provisions concerning the security review mechanism on foreign investment, including, among others, the types of investments subject to review, and the review scopes and procedures. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from the Ministry of Commerce and other PRC government authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

If the chops of our PRC subsidiaries, our VIEs, and their subsidiaries are not kept safely, are stolen, or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

Under PRC laws, a company chop or seal serves as the legal representation of the company towards third parties. The company chop of a legally registered company in China shall be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries, our VIEs, and their subsidiaries are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safe, are stolen, or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so.

The heightened scrutiny over acquisition transactions by PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

On February 3, 2015, STA issued the Bulletin of the State Taxation Administration on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or STA Bulletin 7, which provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under STA Bulletin 7, the PRC tax authorities are entitled to reclassify the

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nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC taxable assets and without any other reasonable commercial purpose. However, STA Bulletin 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed company which holds such PRC taxable assets on a public market; and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from PRC enterprise income tax under an applicable tax treaty or arrangement.

On October 17, 2017, STA issued the Announcement of the State Taxation Administration on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises, or STA Circular 37, which became effective on December 1, 2017 and abolish certain provisions in STA Bulletin 7. STA Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to STA Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties. The taxable gain is calculated as balance of the total income from such transfer net of the net book value of equity interest.

We may conduct acquisitions involving changes in corporate structures. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our ADSs or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.

A number of our PRC operating entities enjoy various types of preferential tax treatment pursuant to the prevailing PRC tax laws. Our PRC subsidiaries and VIEs may, if they meet the relevant requirements, qualify for certain preferential tax treatment.

For a qualified “high and new technology enterprise,” the applicable enterprise income tax rate is 15%. For a qualified “small low-profit enterprise,” the applicable enterprise income tax rate is 20%. Zhizhe Sihai was certified as a “high and new technology enterprise,” and some of our PRC subsidiaries were qualified as “small low-profit enterprises” under the relevant PRC laws and regulations. If these entities fail to maintain their respective qualification under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25%, which could materially and adversely affect our financial condition.

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PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of our offshore financing to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholders' loans or capital contributions after the completion of the Global Offering. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, cannot exceed a statutory limit, and shall be filed with the SAFE or its local counterparts. Furthermore, any capital contributions we make to our PRC subsidiaries shall be registered with the PRC State Administration for Market Regulation or its local counterparts, and filed with the Ministry of Commerce or its local counterparts.

On March 30, 2015, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or SAFE Circular 19 (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》). SAFE Circular 19, however, allows foreign invested enterprises in China to use their registered capital settled in RMB converted from foreign currencies to make equity investments, but the registered capital of a foreign invested company settled in RMB converted from foreign currencies remains not allowed to be used, among other things, for investment in the security markets, or offering entrustment loans, unless otherwise regulated by other laws and regulations. On June 9, 2016, SAFE further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, which, among other things, amended certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign invested company is regulated such that Renminbi capital may not be used for purposes beyond its business scope or to provide loans to non-affiliates unless otherwise permitted under its business scope. On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, which removes the restrictions on domestic equity investments by non-investment foreign-invested enterprises with their capital funds, provided that certain conditions are met. If our VIEs require financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our VIEs' operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net proceeds from our overseas offerings to our PRC subsidiaries and convert the net proceeds into Renminbi, which may adversely affect our business, financial condition, and results of operations.

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We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our resident shareholders or beneficial owners in China fail to comply with relevant PRC foreign exchange regulations.

SAFE issued the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, effective on July 4, 2014. The SAFE Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such PRC residents must update their foreign exchange registrations with SAFE or its local branches when the offshore special purpose vehicle in which such residents directly hold the equity interests undergoes material events relating to any change of basic information (including change of such PRC individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by SAFE Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

On February 13, 2015, SAFE promulgated a Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13, effective on June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under SAFE Circular 37, with qualified banks, instead of SAFE or its local branches. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

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We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with SAFE Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by the SAFE Circular 37 or other related rules in a timely manner. Even if our shareholders and beneficial owners who are PRC residents comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by the SAFE Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and their control. If any of our shareholders who is a PRC resident as determined by SAFE Circular 37 fails to fulfill the required foreign exchange registration, they could be subject to fines or legal penalties, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business.

We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could materially and adversely affect our ability to conduct our business or financial condition.

We are a holding company, and we principally rely on dividends and other distributions on equity that may be paid by our PRC subsidiaries and remittances from our VIEs, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary shares and service any debt we may incur. If any of our PRC subsidiaries, our VIEs, or their subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in China, may pay dividends only out of their accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At the discretion of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds, and staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. Any limitation on the ability of our VIEs to make remittance to our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our ADSs, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments, and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Pursuant to SAFE Circular 19, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into Renminbi on a discretionary basis according to the actual needs. The SAFE Circular 16 provides for an integrated standard for conversion of foreign exchange under capital account items on a discretionary basis, which applies to all enterprises registered in China. In addition, SAFE Circular 16 has narrowed the scope of purposes for which an enterprise must not use the Renminbi funds so converted, which include, among others, (i) payment for expenditure beyond its business scope or otherwise as prohibited by the applicable laws and regulations, (ii) investment in securities or other financial products other than banks' principal-secured products, (iii) provision of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope of the enterprise, and (iv) construction or purchase of non-self-used real properties, except for real estate developers. The PRC government may at its discretion further restrict access to foreign currencies for current account transactions or capital account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The conversion of Renminbi into foreign currencies, including Hong Kong dollars and the U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against Hong Kong dollars and the U.S. dollars, at times significantly and unpredictably. The value of Renminbi against Hong Kong dollars, the U.S. dollars and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange

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policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollars in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollars in the future.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy. Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Class A ordinary shares or ADSs in foreign currency. For example, to the extent that we need to convert Hong Kong dollars we receive from the Global Offering into Renminbi to pay our operating expenses, appreciation of Renminbi against the U.S. dollars would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against Hong Kong dollars and the U.S. dollars may significantly reduce Hong Kong dollars and the U.S. dollars equivalent of our earnings, which in turn could adversely affect the price of our Class A ordinary shares or ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. While we may decide to enter into further hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may materially and adversely affect your investment.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative penalties.

In February 2012, SAFE promulgated the Notices of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year participating in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options are subject to these regulations as our company is an overseas-listed company. Failure to complete SAFE registrations may subject them to fines and legal penalties, and may also

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limit our ability to contribute additional capital into our PRC subsidiary and limit our PRC subsidiary's ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

In addition, the STA has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face penalties imposed by the tax authorities or other PRC government authorities. See "Regulations—Regulations Relating to Stock Incentive Plans" for further details.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where the businesses are operated. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Certain of our PRC operating entities incorporated in various locations in China have not completed necessary registrations, or made adequate contributions to the employee benefit plans, and we have recorded accruals for estimated underpaid amounts in our financial statements. We may be required to make up the contributions for these plans as well as to pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

RISKS RELATING TO OUR SHARES AND ADS

The trading price of our ADSs has been and may be, and the trading price of our Class A ordinary shares can be, volatile, which could result in substantial losses to investors.

The trading price of our ADSs has been volatile since our ADSs started to trade on the New York Stock Exchange, and could fluctuate widely due to factors beyond our control. The trading price of our Class A ordinary shares, likewise, can be volatile for similar or different reasons. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations

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located mainly in China that have listed their securities in the United States or Hong Kong. In addition to market and industry factors, the price and trading volume for our Class A ordinary shares and ADSs may be highly volatile for factors specific to our own operations, including the following:

- Actual or anticipated variations in our revenues, earnings, cash flow, and changes or revisions of our expected results;
- fluctuations in operating metrics;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures by us or our competitors;
- announcements of new products and services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- announcements of studies and reports relating to the quality of our product and service offerings or those of our competitors;
- changes in the economic performance or market valuations of our peer companies;
- conditions in the online content community market;
- detrimental negative publicity about us, our competitors, or our industry;
- additions or departures of key personnel;
- release of lockup or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- regulatory developments affecting us or our industry;
- general economic or political conditions in China or elsewhere in the world;
- fluctuations of exchange rates between the RMB and the U.S. dollar; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our Class A ordinary share or ADSs will trade. Furthermore, the stock market in general experiences price and volume fluctuations that are often unrelated or disproportionate to the operating performance of companies like us. These broad market and industry fluctuations may

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adversely affect the market price of our Class A ordinary shares or ADSs. Volatility or a lack of positive performance in our Class A ordinary shares or ADS price may also adversely affect our ability to retain key employees, most of whom have been granted equity incentives.

In the past, shareholders of public companies have often brought securities class action suits against companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could materially and adversely affect our financial condition and results of operations.

Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Pursuant to our currently effective memorandum and articles of association, our authorized and issued ordinary shares are divided into Class A ordinary shares and Class B ordinary shares (with certain shares remaining undesignated, with power for our directors to designate and issue such classes of shares as they think fit). Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

Upon the completion of the Global Offering, Mr. Zhou Yuan will beneficially own 17,626,986 Class A ordinary shares and 19,227,592 Class B ordinary shares. Mr. Zhou Yuan will beneficially own approximately 11.64% of our total issued and outstanding share capital and 42.86% of the aggregate voting power of our total issued and outstanding share capital immediately after the completion of the Global Offering due to the disparate voting powers associated with our dual-class share structure, assuming the Over-Allotment Option is not exercised. As a result of the dual-class share structure and the concentration of ownership, holders of Class B ordinary shares have considerable influence over matters such as decisions regarding mergers and consolidations, election of directors, and other significant corporate actions. Such holders may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay, or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our Class A ordinary shares and ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

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If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding our Class A ordinary shares or ADSs, the market price for our Class A ordinary shares or ADSs and trading volume could decline.

The trading market for our Class A ordinary shares or ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Class A ordinary shares or ADSs, the market price for our Class A ordinary shares or ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Class A ordinary shares or ADSs to decline.

Techniques employed by short sellers may drive down the market price of our Class A ordinary shares or ADSs.

Short selling is the practice of selling securities that a seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding relevant issuers and their business prospects in order to create negative market momentum and generate profits for themselves after selling securities short.

Public companies listed in the United States that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable state law, or issues of commercial confidentiality. Such a situation could be costly and time-consuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and shareholders' equity, and any investment in our Class A ordinary shares or ADSs could be greatly reduced or rendered worthless.

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We currently do not expect to pay dividends in the foreseeable future after the Global Offering and you must rely on price appreciation of our Class A ordinary shares or ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Class A ordinary shares or ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Class A ordinary shares or ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our Class A ordinary shares or ADSs will appreciate in value after the Global Offering or even maintain the price at which you purchased the Class A ordinary shares or ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our Class A ordinary shares or ADSs.

Substantial future sales or perceived potential sales of our Class A ordinary shares or ADSs in the public market could cause the price of our Class A ordinary shares or ADSs to decline.

Sales of our Class A ordinary shares or ADSs in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Class A ordinary shares or ADSs to decline. The Class A ordinary shares held by our existing shareholders may be sold in the public market subject to volume and other restrictions as applicable provided in Rules 144 and 701 under the Securities Act and the applicable lock-up periods. Any or all of these shares may be released prior to the expiration of the lock-up period at the discretion of the representatives of the underwriters of the Global Offering. To the extent shares are released before the expiration of the lock-up period and sold into the market, the market price of our ADSs could decline.

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Certain holders of our Class A ordinary shares may cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these Class A ordinary shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our Class A ordinary shares or ADSs to decline.

Our tenth amended and restated memorandum and articles of association give us power to take certain actions that could discourage a third party from acquiring us, which could limit our shareholders' opportunity to sell their shares, including Class A ordinary shares represented by ADSs, at a premium.

Our tenth amended and restated memorandum and articles of association give us power to take certain actions that could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges and relative participating, optional or special rights and the qualifications, limitations, or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption, and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, including Class A ordinary shares represented by ADSs. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our Class A ordinary shares and ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected.

However, our exercise of any such power that may limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions under the Articles after the Global Offering will be subject to our overriding obligations to comply with all applicable Hong Kong laws and regulations, the Listing Rules, and the Codes on Takeovers and Mergers and Share Buy-backs. We will, at the First AGM, propose to our shareholders certain amendments to our tenth amended and restated memorandum and articles of association, including removing our directors' discretion to, for the purpose of variation of rights attached to any class of shares, treat all the classes or any two or more classes as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration under article 18 of our currently effective memorandum and articles of association, our directors' powers to authorize the division of our shares into any number of classes and to determine the relative rights and obligations as between the different classes and to issue such shares with preferred or other rights that may be greater than the rights of the Class A ordinary shares under article 9 of our currently effective memorandum and articles of association, as well as making our directors' powers to issue preferred shares under article 9 to be subject to the currently effective memorandum and articles of association, compliance with the Listing Rules and the Takeovers Code and the conditions that (i) no new

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class of shares with voting rights superior to those of Class A Ordinary Shares will be created and (ii) any variations in the relative rights as between the different classes will not result in creating new class of shares with voting rights superior to those of Class A ordinary shares. For a more detailed discussion on the proposed amendments to our currently effective memorandum and articles of association, see “Waivers and Exemptions—Requirements Relating to the Articles of Association of the Company.”

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct the voting of the underlying ordinary shares represented by your ADSs.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights attached to the ordinary shares underlying your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Where any matter is to be put to a vote at a general meeting, then upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying ordinary shares represented by your ADSs in accordance with your instructions. You will not be able to directly exercise your right to vote with respect to the underlying ordinary shares unless you cancel and withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting.

When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the ordinary shares represented by your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our currently effective memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying ordinary shares represented by your ADSs and from becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, upon our instruction the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying ordinary shares represented by your ADSs.

In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the underlying ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying ordinary shares represented by your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

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Further, under the deposit agreement for the ADSs, if you do not vote, the depositary will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may adversely affect your interests and make it more difficult for shareholders to influence the management of our company. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

You may not receive cash dividends if the depositary decides it is impractical to make them available to you.

The depositary will pay cash distributions on the ADSs only to the extent that we decide to distribute dividends on our ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. To the extent that there is a distribution, the depositary has agreed to pay you the cash dividends or other distributions it or the custodian receives on our shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register

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transfers of the ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

You may experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our tenth amended and restated memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands, and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in Hong Kong or some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong or the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have the standing to initiate a shareholder derivative action in a Hong Kong court or a federal court of the United States.

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Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association and any special resolutions passed by such companies, and the registers of mortgages and charges of such companies) or to obtain copies of lists of shareholders of these companies. Under Cayman Islands law, the names of our current directors can be obtained from a search conducted at the Registrar of Companies. Our directors have discretion under our currently effective memorandum and articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our board of directors or controlling shareholders than they would as public shareholders of a company incorporated in Hong Kong or the United States.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and substantially all of our assets are located outside of Hong Kong or the United States. Substantially all of our current operations are conducted in China. In addition, many of our current directors and officers are nationals and residents of countries other than Hong Kong or the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in Hong Kong or the United States in the event that you believe that your rights have been infringed under Hong Kong laws, the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

Forum selection provisions in our currently effective memorandum and articles of association and our deposit agreement with the depositary bank could limit the ability of holders of our Class A ordinary shares, ADSs, or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depositary bank, and potentially others.

Our currently effective memorandum and articles of association provide that the federal district courts of the United States are the exclusive forum within the United States (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than us. Our deposit agreement with the depositary bank also provides that the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York)

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will have jurisdiction to hear and determine any suit, action, or proceeding and to settle any dispute between the depositary bank and us that does not involve any other person or party that may arise out of or relate in any way to the deposit agreement, including claims under the Securities Act or the Exchange Act. Holders and beneficial owners of our ADSs, by holding an ADS or an interest therein, understand and irrevocably agree that any legal suit, action, or proceeding against or involving us or the depositary bank arising out of or related in any way to the deposit agreement, ADSs, or the transactions contemplated thereby or by virtue of ownership thereof, including without limitation claims under the Securities Act or the Exchange Act, may only be instituted in the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks jurisdiction or such designation of the exclusive forum is, or becomes, invalid, illegal, or unenforceable, in the state courts of New York County, New York). However, the enforceability of similar federal court choice of forum provisions has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable, unenforceable, or inconsistent with other documents that are relevant to the filing of such lawsuits. If a court were to find the federal choice of forum provision contained in our currently effective memorandum and articles of association or our deposit agreement with the depositary bank to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. If upheld, the forum selection clause in our currently effective memorandum and articles of association, as well as the forum selection provisions in the deposit agreement, may limit a security-holder's ability to bring a claim against us, our directors and officers, the depositary bank, and potentially others in his or her preferred judicial forum, and this limitation may discourage such lawsuits. In addition, the Securities Act provides that both federal and state courts have jurisdiction over suits brought to enforce any duty or liability under the Securities Act or the rules and regulations thereunder. Accepting or consent to this forum selection provision does not constitute a waiver by you of compliance with federal securities laws and the rules and regulations thereunder. You may not waive compliance with federal securities laws and the rules and regulations thereunder. The exclusive forum provision in our currently effective memorandum and articles of association will not operate so as to deprive the courts of the Cayman Islands from having jurisdiction over matters relating to our internal affairs.

ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our ordinary shares provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

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If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York, which has nonexclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waive the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before entering into the deposit agreement.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary, lead to increased costs to bring a claim, limited access to information and other imbalances of resources between such holder and us, or limit such holder's ability to bring a claim in a judicial forum that such holder finds favorable. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs shall relieve us or the depositary from our respective obligations to comply with the Securities Act and the Exchange Act nor serve as a waiver by any holder or beneficial owner of ADSs of compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

An ADS holder's right to pursue claims against the depositary is limited by the terms of the deposit agreement.

Under the deposit agreement, the United States District Court of the Southern District of New York (or, if the United States District Court of the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts of New York County, New York) will have jurisdiction to hear and determine any suit, action, or proceeding and to settle any dispute between the depositary bank and us that does not involve any other person or party that may arise out of or relate in any way to the deposit agreement, including claims under the Securities Act or the Exchange Act. Holders and beneficial owners of our ADSs, by holding an

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ADS or an interest therein, understand and irrevocably agree that any legal suit, action, or proceeding against or involving us or the depository, arising out of or related in any way to the deposit agreement, ADSs, or the transactions contemplated thereby or by virtue of ownership thereof, including without limitation claims under the Securities Act or the Exchange Act, may only be instituted in the United States District Court for the Southern District of New York (or, if the Southern District of New York lacks jurisdiction or such designation of the exclusive forum is, or becomes, invalid, illegal, or unenforceable, in the state courts of New York County, New York), and a holder of our ADSs will have irrevocably waived any objection which such holder may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such suit, action, or proceeding. However, the enforceability of similar federal court choice of forum provisions in other companies' organizational documents has been challenged in legal proceedings in the United States, and it is possible that a court could find this type of provision to be inapplicable or unenforceable. Accepting or consenting to this forum selection provision does not represent you are waiving compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder. Furthermore, investors cannot waive compliance with the U.S. federal securities laws and rules and regulations promulgated thereunder.

The depository may, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement, our shares, the ADSs, or the transactions contemplated thereby be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement, while to the extent there are specific federal securities law violation aspects to any claims against us and/or the depository brought by any holder or beneficial owner of ADSs, the federal securities law violation aspects of such claims may, at the option of such holders or beneficial owners, remain in the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute or such designation of the exclusive forum is, or becomes, invalid, illegal, or unenforceable, in the state courts of New York County in New York). We believe that a contractual arbitration provision, especially when excluding matters relating to federal securities law violation, is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

As a company with less than US\$1.07 billion in revenues for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. Therefore, we may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 in the assessment of the emerging growth company's internal control over financial reporting. As a result, if we elect not to comply with such reporting and other requirements, in particular the auditor attestation requirements, our investors may not have access to certain information they may deem important.

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The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We are currently not taking advantage of any exemption or the extended transition period for complying with new or revised accounting standards. If we elect to take advantage of such exemption or extended transition period in the future, our results of operations and financial statements may not be comparable to the results of operations and financial statements of other companies that have adopted the new or revised accounting standards. If we cease to be an emerging growth company, we will no longer be able to take advantage of these exemptions or the extended transition period for complying with new or revised accounting standards.

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the New York Stock Exchange listing standards.

As a Cayman Islands company listed on the New York Stock Exchange, we are subject to the New York Stock Exchange listing standards, which requires listed companies to have, among other things, a majority of their board members to be independent and independent director oversight of executive compensation and nomination of directors. However, New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the New York Stock Exchange listing standards.

We are permitted to elect to rely on home country practice to be exempted from the corporate governance requirements. If we choose to follow home country practice in the future, our shareholders may be afforded less protection than they would otherwise enjoy if we complied fully with the New York Stock Exchange listing standards.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;

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- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC is less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

We may incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company.”

We are a public company and incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and New York Stock Exchange, impose various requirements on the corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly.

As a result of becoming a public company, we increased the number of independent directors and have adopted policies regarding internal controls and disclosure controls and procedures. Operating as a public company also makes it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In addition, after we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC.

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RISKS RELATING TO THE GLOBAL OFFERING AND THE DUAL LISTING

An active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange might not develop or be sustained and trading prices of our Class A ordinary shares might fluctuate significantly.

Following the completion of the Global Offering, we cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will develop or be sustained. The trading price or liquidity for our ADSs on the New York Stock Exchange might not be indicative of those of our Class A ordinary shares on the Hong Kong Stock Exchange following the completion of the Global Offering. If an active trading market of our Class A ordinary shares on the Hong Kong Stock Exchange does not develop or is not sustained after the Global Offering, the market price and liquidity of our Class A ordinary shares could be materially and adversely affected.

In 2014, the Hong Kong, Shanghai, and Shenzhen stock exchanges collaborated to create an inter-exchange trading mechanism called Stock Connect that allows international and PRC investors to trade eligible equity securities listed in each other's markets through the trading and clearing facilities of their home exchange. Stock Connect currently covers over 2,000 equity securities trading in the Hong Kong, Shanghai, and Shenzhen markets. Stock Connect allows PRC investors to trade directly in eligible equity securities listed on the Hong Kong Stock Exchange, known as Southbound Trading; without Stock Connect, PRC investors would not otherwise have a direct and established means of engaging in Southbound Trading. In October 2019, the Shanghai and Shenzhen stock exchanges separately announced their amended implementation rules in connection with Southbound Trading to include shares of WVR companies to be traded through Stock Connect. However, since these rules are relatively new, there remains uncertainty as to the implementation details, especially with respect to shares of those companies with a secondary or dual-primary listing on the Hong Kong Stock Exchange. It is unclear whether and when the Class A ordinary shares of our Company, a WVR company with a dual-primary listing in Hong Kong upon the Listing, will be eligible to be traded through Stock Connect, if at all. The ineligibility or any delay of our Class A ordinary shares for trading through Stock Connect will affect PRC investors' ability to trade our Class A ordinary shares and therefore may limit the liquidity of the trading of our Class A ordinary shares on the Hong Kong Stock Exchange.

Since there will be a gap of several days between pricing and trading of our Class A ordinary shares, the price of our ADSs traded on the New York Stock may fall during this period and could result in a fall in the price of our Class A ordinary shares to be traded on the Hong Kong Stock Exchange.

The pricing of the Offer Shares will be determined on the Price Determination Date. However, our Class A ordinary shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be about four Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Class A ordinary shares during that period. Accordingly, holders of our Class A

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ordinary shares are subject to the risk that the trading price of our Class A ordinary shares could fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the time trading begins. In particular, as our ADSs will continue to be traded on the New York Stock Exchange and their price can be volatile, any fall in the price of our ADSs may result in a fall in the price of our Class A ordinary shares to be traded on the Hong Kong Stock Exchange.

The characteristics of the U.S. capital markets and the Hong Kong capital markets are different.

The New York Stock Exchange and the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Class A ordinary shares and the ADSs representing them might not be the same, even allowing for currency differences. Fluctuations in the price of the ADSs due to circumstances peculiar to its home capital market could materially and adversely affect the price of the Class A ordinary shares. Because of the different characteristics of the U.S. and Hong Kong equity markets, the historic market prices of the ADSs may not be indicative of the performance of our securities (including the Class A ordinary shares) after the Global Offering.

Exchange between our Class A ordinary shares and ADSs may adversely affect the liquidity or trading price of each other.

Our ADSs are currently traded on the New York Stock Exchange. Subject to compliance with U.S. securities laws and the terms of the deposit agreement, holders of our Class A ordinary shares may deposit Class A ordinary shares with the depositary in exchange for the issuance of the ADSs. Any holder of ADSs may also withdraw the underlying Class A ordinary shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depositary in exchange for ADSs or vice versa, the liquidity and trading price of our Class A ordinary shares on the Hong Kong Stock Exchange and the ADSs on the New York Stock Exchange may be adversely affected.

The time required for the exchange between our Class A ordinary shares and ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of Class A ordinary shares into ADSs involves costs.

There is no direct trading or settlement between the New York Stock Exchange and the Hong Kong Stock Exchange on which our ADSs and our Class A ordinary shares are respectively traded. In addition, the time differences between Hong Kong and New York, unforeseen market circumstances, or other factors may delay the deposit of Class A ordinary shares in exchange for the ADSs or the withdrawal of Class A ordinary shares underlying the

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ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, we cannot assure you that any exchange for Class A ordinary shares into ADSs (and vice versa) will be completed in accordance with the timelines that investors may anticipate.

Furthermore, the depository for the ADSs is entitled to charge holders fees for various services including for the issuance of ADSs upon deposit of Class A ordinary shares, cancelation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs, and annual service fees. As a result, shareholders who exchange Class A ordinary shares into ADSs, and vice versa, may not achieve the level of economic return the shareholders may anticipate.

We may be subject to securities litigation, which is expensive and could divert management attention.

Companies that have experienced volatility in the volume and market price of their shares have been subject to an increased incidence of securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, and, if adversely determined, could have a material adverse effect on our business, financial condition and results of operations.

As the public offering price is substantially higher than our net tangible book value per ordinary share, you will incur immediate and substantial dilution.

If you purchase our Class A ordinary shares in the Global Offering, you will pay more for your Class A ordinary shares than the amount paid by existing holders for their Class A ordinary shares or ADSs on a per ordinary share basis. As a result, you will experience immediate and substantial dilution after giving effect to the Global Offering. In addition, you will experience further dilution to the extent that our ordinary shares are issued upon the exercise of share options or vesting of restricted share units. All of the ordinary shares issuable upon the exercise of currently outstanding share options will be issued at a purchase price on a per ordinary share basis that is less than the public offering price per Class A ordinary share in the Global Offering.

WAIVERS AND EXEMPTIONS

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong, in Mainland China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Mr. Wei Sun, our executive Director and Chief Financial Officer, and Ms. Yee Wa Lau, our joint company secretary;
- (b) Each Director will provide his/her contact details, including mobile phone numbers, office phone numbers, residential phone numbers, e-mail addresses and facsimile numbers to the Stock Exchange and to the authorized representatives in accordance with Rule 3.20 of the Listing Rules. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

WAIVERS AND EXEMPTIONS

- (d) pursuant to Rule 3A.19 and Rule 8A.33 of the Listing Rules, our Company has retained the services of Guotai Junan Capital Limited as compliance adviser (the “**Compliance Adviser**”), who will act as an additional channel of communication with the Stock Exchange. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company’s authorized representatives and Directors. In turn, they will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties. The Compliance Adviser will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 and Rule 8A.34 of the Listing Rules; and
- (e) meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Adviser in accordance with the Listing Rules.

REQUIREMENTS RELATING TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

As the Company is applying for a dual primary listing on the Stock Exchange, the Articles are required to comply with Appendix 3 of the Listing Rules. Rule 8A.44 of the Listing Rules requires issuers with WVR Structures such as our Company to give force to the requirements of Rules 8A.07, 8A.09, 8A.10, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.21, 8A.22, 8A.23, 8A.24, 8A.26, 8A.27, 8A.28, 8A.29, 8A.30, 8A.31, 8A.32, 8A.33, 8A.34, 8A.35, 8A.37, 8A.38, 8A.39, 8A.40 and 8A.41 by incorporating them into their articles of association or equivalent document (together with the requirements under Appendix 3 to the Hong Kong Listing Rules, the “**Listing Rules Articles Requirements**”).

The Company’s existing Articles do not comply with some of the Listing Rules Articles Requirements, namely, (i) paragraphs 4(2)-(3), 14(1)-(5), 15, 16, 17, 18, 20 and 21 of Appendix 3 to the Listing Rules, and (ii) Rules 8A.09, 8A.13 to 8A.19, 8A.22 to 8A.24, 8A.26 to 8A.35 and 8A.37 to 8A.41 of the Listing Rules (together, the “**Unmet Listing Rules Articles Requirements**”). The Company will seek shareholders’ approval to incorporate the Unmet Listing Rules Articles Requirements into its Articles at the First AGM to be convened before August 31, 2022.

WAIVERS AND EXEMPTIONS

Details of the Unmet Listing Rules Articles Requirements to be incorporated into the Company's Articles are set out below:

To be approved by Class-based Resolution (defined below)

- (1) Non-WVR (as defined under the Listing Rules) shareholders must be entitled to cast at least 10% of the votes that are eligible to be cast on resolutions at the listed issuer's general meetings.

Note 1: Compliance with this rule means, for example, that an issuer cannot list with a WVR structure that attaches 100% of the right to vote at general meetings to the beneficiaries of weighted voting rights.

Note 2: A beneficiary of weighted voting rights must not take any action that would result in a non-compliance with this rule.

- (2) A listed issuer must not increase the proportion of shares that carry weighted voting rights above the proportion in issue at the time of listing.

Note: If the proportion of shares carrying weighted voting rights is reduced below the proportion in issue at the time of listing, this rule 8A.13 shall apply to the reduced proportion of shares carrying weighted voting rights (Rules 8A.09 and 8A.13 of the Listing Rules);

- (3) A listed issuer with a WVR structure may only allot, issue or grant shares carrying weighted voting rights with the prior approval of the Stock Exchange and pursuant to (1) an offer made to all the issuer's shareholders pro rata (apart from fractional entitlements) to their existing holdings; (2) a pro rata issue of shares to all the issuer's shareholders by way of scrip dividends; or (3) pursuant to a stock split or other capital reorganization provided that the Stock Exchange is satisfied that the proposed allotment or issuance will not result in an increase in the proportion of shares carrying weighted voting rights:

- (i) if, under a pro rata offer, beneficiaries of weighted voting rights do not take up any part of the shares carrying weighted voting rights (or rights to those shares) offered to them, those shares (or rights) not taken up could only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of ordinary shares; and

- (ii) to the extent that rights in a listed issuer's shares not carrying weighted voting in a pro rata offer are not taken up in their entirety (e.g. in the case where the pro rata offering is not fully underwritten), the number of the listed issuer's shares carrying weighted voting rights that can be allotted, issued or granted must be reduced proportionately. (Rule 8A.14 of the Listing Rules);

WAIVERS AND EXEMPTIONS

- (4) If a listed issuer with a WVR structure reduces the number of its shares in issue (e.g. through a purchase of its own shares) the beneficiaries of weighted voting rights must reduce their weighted voting rights in the issuer proportionately (for example through conversion of a proportion of their shareholding with those rights into shares without those rights), if the reduction in the number of shares in issue would otherwise result in an increase in the proportion of the listed issuer's shares that carry weighted voting rights (Rule 8A.15 of the Listing Rules);
- (5) After listing, a listed issuer with a WVR structure must not change the terms of a class of its shares carrying weighted voting rights to increase the weighted voting rights attached to that class (Rule 8A.16 of the Listing Rules);

Note: If a listed issuer wishes to change the terms of a class of its shares carrying weighted voting rights to reduce those rights it may do so but must, in addition to complying with any requirements under law, first obtain the prior approval of the Stock Exchange and, if approval is granted, must announce the change.

- (6) The beneficiary's weighted voting rights in a listed issuer must cease if, at any time after listing, the beneficiary is:
- (i) deceased;
 - (ii) no longer a member of the issuer's board of directors;
 - (iii) deemed by the Stock Exchange to be incapacitated for the purpose of performing his or her duties as a director; or
 - (iv) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;

The weighted voting rights attached to a beneficiary's shares must cease upon transfer to another person of the beneficial ownership of, or economic interest in those shares or the control over the voting rights attached to them (through voting proxies or otherwise). A limited partnership, trust, private company or other vehicle may hold shares carrying weighted voting rights on behalf of a beneficiary of weighted voting rights provided that such an arrangement does not result in a circumvention of rule 8A.18(1) The Stock Exchange would not consider a lien, pledge, charge or other encumbrance on shares carrying weighted voting rights to be a transfer for the purpose of rule 8A.18 on condition that this does not result in the transfer of the legal title or beneficial ownership of those shares or the voting rights attached to them (through voting proxies or otherwise). The Stock Exchange would consider a transfer to have occurred under rule 8A.18 if a beneficiary of weighted voting rights and a non-WVR shareholder(s) enter into any arrangement or understanding to the extent that this resulted in a transfer of weighted voting rights from the beneficiary of those weighted voting rights to the non-WVR shareholder (Rules 8A.17, 8A.18(1), 8A.18(2) and 8A.19 of the Listing Rules);

WAIVERS AND EXEMPTIONS

If a vehicle holding shares carrying weighted voting rights in a listed issuer on behalf of a beneficiary no longer complies with rule 8A.18(2), the beneficiary's weighted voting rights in the listed issuer must cease. The issuer and beneficiary must notify the Stock Exchange as soon as practicable with details of the non-compliance.

- (7) A listed issuer's WVR structure must cease when none of the beneficiaries of the weighted voting rights at the time of the issuer's initial listing have beneficial ownership of shares carrying weighted voting rights. (Rule 8A.22 of the Listing Rules);
- (8) Non-WVR shareholders and members holding a minority stake in the total number of issued Shares must be able to convene an extraordinary general meeting and add resolutions to the meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights on a one vote per share basis in the share capital of the listed issuer. (Rule 8A.23 and paragraph 14(5) of Appendix 3 of the Listing Rules);
- (9) Any weighted voting rights attached to any class of shares in a listed issuer must be disregarded and must not entitle the beneficiary to more than one vote per share on any resolution to approve the following matters:
 - (i) changes to the listed issuer's constitutional documents, however framed;
 - (ii) variation of rights attached to any class of shares;
 - (iii) the appointment or removal of any independent non-executive director;
 - (iv) the appointment or removal of auditors; and
 - (v) the voluntary winding-up of the listed issuer (Rule 8A.24 of the Listing Rules).

To be approved by Non-class-based Resolution (defined below)

- (10) Any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the first annual general meeting of the issuer after his appointment, and shall then be eligible for re-election (paragraph 4(2) of Appendix 3);
- (11) Where not otherwise provided by law, members in general meeting shall have the power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his term of office. (paragraph 4(3) of Appendix 3);

WAIVERS AND EXEMPTIONS

- (12) An issuer must hold a general meeting for each financial year as its annual general meeting.

Note: Generally, an issuer must hold its annual general meeting within six months after the end of its financial year (paragraph 14(1) of Appendix 3);

- (13) An issuer must give its members reasonable written notice of its general meetings.

Note: “Reasonable written notice” normally means at least 21 days for an annual general meeting and at least 14 days for other general meetings. This is unless it can be demonstrated that reasonable written notice can be given in less time (paragraph 14(2) of Appendix 3);

- (14) Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Notes:

1. An example of such a circumstance is where a member has a material interest in the transaction or arrangement being voted upon.
2. If an issuer is subject to a foreign law or regulation that prevents the restriction of a member’s right to speak and/or vote at general meetings, the issuer can enter into an undertaking with the Exchange to put in place measures that achieve the same outcome as the restriction under this paragraph (e.g. any votes cast by or on behalf of a member in contravention of the rule restriction must not be counted towards the resolution) (paragraph 14(3) of Appendix 3);

- (15) Where any shareholder is, under these Exchange Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted (paragraph 14(4) of Appendix 3);

- (16) A super-majority vote of the issuer’s members of the class to which the rights are attached shall be required to approve a change to those rights.

Notes:

1. A “super-majority vote” means at least three-fourths of the voting rights of the members holding shares in that class present and voting in person or by proxy at a separate general meeting of members of the class where the quorum for such meeting shall be holders of at least one third of the issued shares of the class. This is unless it can be demonstrated that shareholder protection will not be compromised by a lower voting threshold (e.g. simple majority votes in favor of the relevant resolutions with a higher quorum requirement) and in such case a “super-majority vote” is deemed to be achieved.
2. For PRC issuers, the Exchange will consider a resolution passed by members representing at least two-thirds of the voting rights of the members who are present at the classified members’ meeting and have voting rights to amend class rights as satisfying the threshold of a “super-majority” (paragraph 15 of Appendix 3);

WAIVERS AND EXEMPTIONS

- (17) A super-majority vote of the issuer’s members in a general meeting shall be required to approve changes to an issuer’s constitutional documents, however framed.

Notes:

1. A “super-majority vote” means at least three-fourths of the total voting rights of the members present and voting in person or by proxy at the general meeting. This is unless it can be demonstrated that shareholder protection will not be compromised by a lower voting threshold (e.g. simple majority votes in favor of the relevant resolutions with a higher quorum requirement) and in such case a “super-majority vote” is deemed to be achieved.
2. For PRC issuers, the Exchange will consider a resolution passed by members representing at least two-thirds of the total voting rights of the members present and voting in person or by proxy at the meeting as satisfying the threshold of a “super-majority” (paragraph 16 of Appendix 3);

- (18) The appointment, removal and remuneration of auditors must be approved by a majority of the issuer’s members or other body that is independent of the board of directors.

Note: An example of such an independent body is the supervisory board in systems that have a two tier board structure (paragraph 17 of Appendix 3);

- (19) Every member shall be entitled to appoint a proxy who needs not necessarily be a member of the issuer and that every shareholder being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of the issuer and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorized officer (paragraph 18 of Appendix 3);

- (20) That the branch register of members in Hong Kong shall be open for inspection by members but the issuer may be permitted to close the register on terms equivalent to section 632 of the Companies Ordinance (paragraph 20 of Appendix 3);

- (21) A super-majority vote of the issuer’s members in a general meeting shall be required to approve a voluntary winding up of an issuer.

Notes:

1. A “super-majority vote” means at least three-fourths of the total voting rights of the members present and voting in person or by proxy at the general meeting. This is unless it can be demonstrated that shareholder protection will not be compromised by a lower voting threshold (e.g. simple majority votes in favor of the relevant resolutions with a higher quorum requirement) and in such case a “super-majority vote” is deemed to be achieved.
2. For PRC issuers, the Exchange will consider a resolution passed by members representing at least two-thirds of the total voting rights of the members present and voting in person or by proxy at the meeting as satisfying the threshold of a “super-majority” (paragraph 21 of Appendix 3);

WAIVERS AND EXEMPTIONS

(22) The role of an independent non-executive director of a listed issuer with a WVR structure must include but is not limited to the functions described in Code provisions A.6.2, A.6.7 and A.6.8 of Appendix 14 to the Listing Rules:

- (i) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (ii) taking the lead where potential conflicts of interests arise;
- (iii) serving on the audit, compensation, nomination and other governance committees, if invited; and
- (iv) scrutinizing the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;

Independent non-executive directors and other non-executive directors, as equal board members, shall give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should also attend general meetings to gain and develop a balanced understanding of the views of the shareholders; and

Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments (Rule 8A.26 of the Listing Rules).

(23) Issuers with a WVR structure must establish a nomination committee that complies with Section A5 of Appendix 14 of the Listing Rules:

- (i) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
- (ii) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;
- (iii) assess the independence of independent non-executive directors; and
- (iv) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

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The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the Stock Exchange's website and the issuer's website.

Issuers should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.

Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

- (i) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent;
 - (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board;
 - (iii) the perspectives, skills and experience that the individual can bring to the board; and
 - (iv) how the individual contributes to diversity of the board (Rule 8A.27 of the Listing Rules);
- (24) The nomination committee established under rule 8A.27 must be chaired by an independent non-executive director. (Rules 8A.28 of the Listing Rules);
- (25) The independent non-executive directors of an issuer with a WVR structure must be subject to retirement by rotation at least once every three years. Independent non-executive directors are eligible for re-appointment at the end of the three year term (Rule 8A.29 of the Listing Rules);
- (26) An issuer with a WVR structure must establish a Corporate Governance Committee with at least the terms of reference set out in Code Provision D.3.1 of Appendix 14 to the Listing Rules, and the following additional terms:
- (i) develop and review the issuer's policies and practices on corporate governance and make recommendations to the board;
 - (ii) review and monitor the training and continuous professional development of directors and senior management;

WAIVERS AND EXEMPTIONS

- (iii) review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
- (iv) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (v) review the Company's compliance with the code and disclosure in the Corporate Governance Report (as defined in the Listing Rules);
- (vi) to review and monitor whether the Company is operated and managed for the benefit of all of its shareholders;
- (vii) to confirm, on an annual basis, that beneficiaries of weighted voting rights have been members of the listed issuer's board of directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (viii) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (ix) to review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (considered as a group) on the one hand and any beneficiary of weighted voting rights on the other;
- (x) to review and monitor all risks related to the issuer's WVR structure, including connected transactions between the issuer and/or a subsidiary of the issuer on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the board on any such transaction;
- (xi) to make a recommendation to the board as to the appointment or removal of the Compliance Adviser (as defined under the Listing Rules);
- (xii) to seek to ensure effective and on-going communication between the issuer and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules;
- (xiii) to report on the work of the nominating and Corporate Governance Committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and

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- (xiv) to disclose, on a comply or explain basis, its recommendations to the board in respect of matters in sub-paragraphs (ix) to (xi) above in the report referred to in sub-paragraph (xiii) above (Rule 8A.30 of the Listing Rules);
- (27) The Corporate Governance Committee must be comprised entirely of independent non-executive directors, one of whom must act as the chairman (Rule 8A.31 of the Listing Rules);
- (28) The Corporate Governance Report produced by a listed issuer with a WVR structure to comply with Appendix 14 of the Listing Rules must include a summary of the work of the Corporate Governance Committee, with regards to its terms of reference, for the accounting period covered by both the half-yearly and annual report and disclose any significant subsequent events for the period up to the date of publication of the half-yearly and annual report, to the extent possible (Rule 8A.32 of the Listing Rules);
- (29) Rule 3A.19 is modified to require an issuer with a WVR structure to appoint a Compliance Adviser on a permanent basis commencing on the date of the issuer's initial listing (Rule 8A.33 of the Listing Rules);
- (30) An issuer must consult with, and if necessary, seek advice from its Compliance Adviser, on a timely and ongoing basis in the circumstances set out in rule 3A.23 and also on any matters related to:
- (i) the WVR structure;
 - (ii) transactions in which any beneficiary of weighted voting rights in the issuer has an interest; and
 - (iii) where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or holders of the issuer (considered as a group) on the one hand and any beneficiary of weighted voting rights in the issuer on the other (Rule 8A.34 of the Listing Rules);
- (31) An issuer with a WVR structure must comply with Section E "Communication with Shareholders" of Appendix 14 of the Listing Rules (Rule 8A.35 of the Listing Rules);
- (32) An issuer with a WVR structure must include the warning "A company controlled through weighted voting rights" on the front page of all its listing documents, periodic financial reports, circulars, notifications and announcements required by the Listing Rules, and describe its WVR structure, the issuer's rationale of such structure and the associated risks for the members prominently in its listing documents and periodic financial reports. This warning statement shall inform

WAIVERS AND EXEMPTIONS

prospective investors of the potential risks of investing in an issuer with a WVR structure and that they should make the decision to invest only after due and careful consideration (Rule 8A.37 of the Listing Rules);

- (33) The documents of or evidencing title for the listed equity securities of an issuer with a WVR structure must prominently include the warning “A company controlled through weighted voting rights” (Rule 8A.38 of the Listing Rules);
- (34) An issuer with a WVR structure must disclose in its listing documents and its interim and annual reports:
 - (i) identify the beneficiaries of weighted voting rights (Rule 8A.39 of the Listing Rules);
 - (ii) disclose the impact of a potential conversion of WVR shares into ordinary shares on its share capital (Rule 8A.40 of the Listing Rules); and
 - (iii) disclose all circumstances in which the weighted voting rights attached to the Class B Ordinary Shares shall cease (Rule 8A.41 of the Listing Rules).

To further enhance its shareholder protection measures, the Company will at the First AGM propose to its shareholders the following amendments to its existing Articles: (a) lowering the quorum of general meeting (which is not a class meeting) from one-third of all votes attaching to all shares in issue and entitled to vote at such general meeting in the Company as currently provided for under article 66 in the Company’s Articles to 10% of all votes attaching to all shares in issue and entitled to vote at such general meeting in the Company (on a one vote per share basis) (the “**Quorum Requirement**”); (b) where a general meeting is postponed by the directors pursuant to article 72 of the existing Articles, requiring such meeting to be postponed to a specific date, time and place (the “**GM Postponement Requirement**”); and (c) removing the Directors’ discretion to, for the purpose of variation of rights attached to any class of shares, treat all the Classes or any two or more Classes as forming one Class if they consider that all such Classes would be affected in the same way by the proposals under consideration under article 18 of the existing Articles, as well as the Directors’ powers to authorize the division of Shares into any number of classes and to determine the relative rights and obligations as between the different classes and to issue such shares with preferred or other rights that may be greater than the rights of the Class A Ordinary Shares under article 9 of the existing Articles as well as making the Directors’ powers to issue preferred shares under article 9 of the existing Articles to be subject to the Articles, compliance with the Listing Rules and the Takeovers Code and the conditions that (x) no new class of shares with voting rights superior to those of Class A Ordinary Shares will be created and (y) any variations in the relative rights as between the different classes will not result in creating new class of shares with voting rights superior to those of Class A Ordinary Shares (“**Amendment of Directors’ Class Right Related Powers**”, together with the Unmet Listing Rules Articles Requirements, the Quorum Requirement, and the GM Postponement Requirement, the “**Unmet Articles Requirements**”).

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At the First AGM, the Company will also propose amendments to the existing Articles to clarify that (i) the Company, its shareholders, directors and officers agree to submit to the jurisdiction of the courts of the Cayman Islands and Hong Kong, to the exclusion of other jurisdictions, for any derivative action or proceeding brought on behalf of the Company, any action asserting a claim of breach of a fiduciary duty owed by any Director, officer, or other employee of the Company to the Company or the shareholders, any action asserting a claim arising pursuant to any provision of the Companies Act or the Articles, or any action asserting a claim against the Company which if brought in the United States would be a claim arising under the internal affairs doctrine; and (ii) the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) shall be the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising out of or relating in any way to the federal securities laws of the United States, regardless of whether such legal suit, action, or proceeding also involves parties other than the Company (the “**Forum Selection Clarification**”).

As advised by the Company’s legal advisor as to Cayman Islands laws, the incorporation of the following Unmet Articles Requirements will require approvals of both holders of Class B Ordinary Shares and holders of Class A Ordinary Shares in separate class meetings at the First AGM in accordance with the Company’s existing Articles because these requirements would materially adversely vary the rights attached to Class B Ordinary Shares and Class A Ordinary Shares respectively: Rules 8A.09, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18(1), 8A.18(2), 8A.19, 8A.22, 8A.23 and 8A.24 of the Listing Rules—a resolution to incorporate these Unmet Articles Requirements (the “**Class-based Resolution**”) will need to be approved at the separate class meetings of holders of Class B Ordinary Shares (the “**Class B Meeting**”) and of Class A Ordinary Shares (the “**Class A Meeting**”). The quorum for the Class B Meeting or Class A Meeting shall be one or more persons holding or representing by proxy at least one-third in nominal or par value amount of the respective issued Class B Ordinary Shares or Class A Ordinary Shares, respectively, in accordance with article 18 of the Company’s existing Articles. The Class-based Resolution requires approval by an ordinary resolution passed by a simple majority of both holders of Class A ordinary shares and holders of Class B ordinary shares, voting in person or by proxy at a Class A Meeting and Class B Meeting, separately pursuant to article 18 of the Company’s existing Articles.

If the Class-based Resolution is passed at both the Class B Meeting and Class A Meeting, at the full shareholders’ meeting where all shareholders may vote as a single class (the “**Full Shareholders’ Meeting**”), the shareholders will be asked to vote on the Class-based Resolution and another resolution to incorporate into the Company’s Articles the Unmet Articles Requirements not covered by the Class-based Resolution and the Forum Selection Clarification (the “**Non-class-based Resolution**”). The quorum for the Full Shareholders’ Meeting will be members holding Shares which carry in aggregate (or representing by proxy) not less than one-third of all votes attaching to all Shares in issue and entitled to vote present in person or by proxy, or, if a corporate or other non-natural person, by its duly authorized representative, pursuant to article 66 of the Company’s existing Articles. At the Full Shareholders’ Meeting, each of the Class-based Resolution and the Non-class-based Resolution

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will require approval by not less than two-thirds of the votes cast by such shareholders as, being entitled to do so, votes in person or by proxy or, in the case of corporations, by their duly authorized representatives, in accordance with article 160 of the Company's existing Articles.

If the Class-based Resolution is not approved at either the Class B Meeting or Class A Meeting, then the shareholders at the Full Shareholders' Meeting will only be asked to vote on the Non-class-based Resolution.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the Unmet Articles Requirements, subject to the conditions that:

- (1) at the First AGM, the Company will put forth: (i) the Class-based Resolution at the Class B Meeting and the Class A Meeting; and (ii) the Class-based Resolution (if adopted at the Class B Meeting and Class A Meeting) and the Non-class-based Resolution at the Full Shareholders' Meeting (together, the "**Proposed Resolutions**") to amend its Articles to comply with the Unmet Articles Requirements;
- (2) the WVR Beneficiary will, prior to the Listing, irrevocably undertake to the Company and the Stock Exchange to be present at the First AGM (whether in person or by proxy) and at any general meeting that may be convened after the Listing and until all the Proposed Resolutions are approved by the shareholders, and to vote in favor of the Proposed Resolutions;
- (3) if any of the Proposed Resolutions are not passed at the First AGM, until they are all approved by the shareholders, the Company will irrevocably undertake to the Stock Exchange to put forth the Proposed Resolutions that have not been passed at each subsequent annual general meeting. The WVR Beneficiary will, prior to the Listing, irrevocably undertake to the Company to continue to be present (whether in person or by proxy) and vote in favor of the Proposed Resolutions at each subsequent general meeting at which the Company puts forth such Proposed Resolutions until all Proposed Resolutions are approved by the shareholders. The WVR Beneficiary will further undertake to the Company to be present at any general meeting after the Listing until all Proposed Resolutions are approved by shareholders;
- (4) each of Mr. Dahai Li, Mr. Wei Sun (together, the "**Undertaking Shareholders**") will, prior to the Listing, irrevocably undertake to the Company to, and if any Class A Ordinary Share or ADS is held by intermediaries held or controlled by him, procure such intermediaries to, be present at the Class A Meeting and the Full Shareholders' Meeting (whether in person or by proxy) and to vote in favor of the Proposed Resolutions and that, if any of the Proposed Resolutions are not passed at the First AGM, until they are all approved, he or the said intermediaries will

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continue to attend (whether in person or by proxy) each subsequent class meeting of the holders of the Class A Ordinary Shares and general meeting at which the Company puts forth the Proposed Resolutions and vote in favor of such Proposed Resolutions;

- (5) the Company will issue a press release announcing its support publicly for the Proposed Resolutions each year after the Proposed Listing until all the Proposed Resolutions are adopted;
- (6) the Company, the WVR Beneficiary and each of the other Directors in their individual capacity as a Director of the Company will, prior to the Proposed Listing, irrevocably undertake to the Stock Exchange that it will comply with the Unmet Listing Rules Articles Requirements, the GM Postponement Requirement, the Amendment of Directors' Class Right Related Powers and the Forum Selection Clarification in full (the "**Undertaking for Interim Compliance**") upon the Proposed Listing and before its existing Articles are formally amended to incorporate the Unmet Articles Requirements, except for:
- paragraph 15 of Appendix 3 such that, prior to the Company's Articles being amended, the threshold for passing a resolution in a separate class meeting will be approval by a simple majority of the votes cast by the issued shares of that class pursuant to article 18 of the Company's existing Articles;
 - paragraph 16 of Appendix 3 such that, prior to the Company's Articles being amended, the threshold for passing a special resolution for amendments to the Company's existing Articles will be approval by members holding not less than two-thirds of the voting rights of those present and voting in person or by proxy at the general meeting in accordance with article 160 of the Company's existing Articles; and
 - Rules 8A.24(1) and (2) such that, prior to the Company's Articles being amended, weighted voting rights will apply in connection with passing the Proposed Resolutions.

For the avoidance of doubt, the above exceptions are only applicable to the passing of the Proposed Resolutions, and the Company shall irrevocably undertake to the Stock Exchange to comply with paragraphs 15 and 16 of Appendix 3 and Rules 8A.24(1) and (2) for passing any resolution at a separate class meeting and any special resolution after the Listing (other than the Proposed Resolutions) under the Undertaking for Interim Compliance, and if any of the Class-based Resolution is not passed at the First AGM, the Undertaking for Interim Compliance will remain valid until the Class-based Resolution is passed;

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- (7) the WVR Beneficiary will, prior to the Listing, irrevocably undertake to the Company and the Stock Exchange that:
- (i) he will procure the Company to give effect to the Undertaking for Interim Compliance upon the Listing and before its existing Articles are formally amended;
 - (ii) in the event any Class B Ordinary Share is to be transferred to a founder affiliate (as defined in the existing Articles) of the WVR Beneficiary that is not a director holding vehicle after the Listing but before the existing Articles are formally amended, it will convert such Class B Ordinary Shares into Class A Ordinary Shares by delivering a written notice to the Company in accordance with the existing Articles and only transfer the resultant Class A Ordinary Shares to such Affiliate;
 - (iii) after the Listing but before the existing Articles are formally amended, he will not effect any change in his holding structure of any Class B Ordinary Shares unless and until the Stock Exchange has approved such change; and
 - (iv) he will procure MO Holding Ltd to, prior to the Listing, deliver a written conversion notice to the Company in accordance with article 13 of the existing Articles that (a) all of the Class B Ordinary Shares it holds shall be converted to Class A Ordinary Shares on a one-for-one basis immediately upon any event listed in Rule 8A.17 of the Listing Rules occurring after the Listing and before the existing Articles are formally amended, and (b) to the extent there is any voluntary or involuntary transfer of legal title to or beneficial ownership of any Class B Ordinary Shares (e.g. upon or as a result of foreclosure of share pledge) to an entity that is not a director holding vehicle after the Listing and before the existing Articles are formally amended, the Class B Ordinary Shares subject to the transfer shall be converted to Class A Ordinary Shares on a one-for-one basis; such conversion notice shall expire immediately upon the existing Articles are formally amended.

A director holding vehicle, for the purpose of the above paragraph, means (a) a partnership of which the WVR Beneficiary is a partner and the terms of which must expressly specify that the voting rights attached to any and all of the Class B Ordinary Shares held by such partnership are solely dictated by the WVR Beneficiary; (b) a trust of which the WVR Beneficiary is a beneficiary and that meets the following conditions: (i) the WVR Beneficiary must in substance retain an element of control of the trust and any immediate holding companies of, or, if not permitted in the relevant tax jurisdiction, retain a beneficial interest in any and all of the Class B Ordinary Shares held by such trust; and (ii) the purpose of the trust must be for estate planning and/or tax planning purposes; or (c) a private company or other vehicle wholly-owned and wholly controlled by the WVR Beneficiary or by a trust referred to in paragraph (b) above;

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- (8) if any holders of any ADSs fail to give valid or timely voting instructions to the Depository with respect of the Proposed Resolutions, the Company will exercise any discretionary proxy it may have under the deposit agreement for the ADSs to vote the underlying Ordinary Class A Shares represented by such ADSs in favor of the Proposed Resolutions at any general meetings; and
- (9) the Company remains listed on the NYSE.

The Company's legal advisor as to the laws of the Cayman Islands confirms that the Undertaking for Interim Compliance will not violate the laws and regulations of the Cayman Islands, and the Company confirms that, having consulted its other legal advisors, the Undertaking for Interim Compliance will also not violate other laws and regulations applicable to the Company.

The WVR Beneficiary acknowledged and agreed that our Shareholders may rely on the WVR Beneficiary's undertakings described in paragraphs (2), (3) and (7) above (the "**WVR Beneficiary's Articles Undertaking**") in acquiring and holding their Shares and that such undertakings are intended to confer a benefit on the Company and all existing and future Shareholders and may be enforced by the Company and/or any such Shareholder against the WVR Beneficiary.

The WVR Beneficiary's Articles Undertaking shall automatically terminate upon the earliest of (i) the proposed amendments to the existing Articles described in this sub-section headed "Waivers and Exemptions—Requirements relating to the Articles of Association of the Company" have become effective, (ii) the date of delisting of the Company from the Stock Exchange; and (iii) the date on which the WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Beneficiary's Articles Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the WVR Beneficiary's Articles Undertaking which existed at or before the date of termination. The WVR Beneficiary's Articles Undertaking shall be governed by the laws of the Hong Kong and all matters, claims or disputes arising out of the WVR Beneficiary's Articles Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

The WVR Beneficiary will, immediately upon the Listing, beneficially own 19,227,592 Class B Ordinary Shares and 17,626,986 Class A Ordinary Shares, representing in aggregate (a) 5.92% of the total voting rights of the Class A Ordinary Shares voting as a separate class, (b) 100% of the total voting rights of the Class B Ordinary Shares voting as a separate class, and (c) approximately 42.86% of the voting rights in the Company (on weighted voting rights basis). The Depository will, immediately upon the Listing, hold 62,023,387 Class A Ordinary Shares underlying ADSs (excluding those underlying the ADSs held by the Undertaking Shareholders), representing (x) 20.77% of the total voting rights of the Class A Ordinary Shares voting as a separate class and (y) approximately 12.62% of the voting rights in the Company

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(on weighted voting rights basis). The Undertaking Shareholders will, immediately upon the Listing, hold 6,283,357 Class A Ordinary Shares (including those underlying the ADSs they held), representing (x) 2.11% of the total voting rights of the Class A Ordinary Shares voting as a separate class and (y) approximately 1.28% of the voting rights in the Company (on weighted voting rights basis).

Accordingly, the undertakings of the WVR Beneficiary and the Undertaking Shareholders to be present at the First AGM (whether in person or by proxy) as well as the Company's undertaking to exercise any discretionary proxy it may have under the deposit agreement to vote the underlying Ordinary Class A Shares of the relevant ADSs in favor of the Proposed Resolutions at any general meeting will be able to ensure a quorum at the Class B Meeting and the Full Shareholders' Meeting and that the Class-based Resolutions will be approved at the Class B Meeting. However, despite the said undertakings, there is no guarantee that there will be a quorum at the Class A Meeting, that the Class-based Resolution will be passed at the Class A Meeting or that the Non-class-based Resolutions will be passed at the Full Shareholders' Meeting. As the Company has not, since its listing on the NYSE, held a general meeting, it is uncertain as to whether the Class-based Resolution will be approved with sufficient support from the Company's shareholders at the Class A Meeting. However, as the proposed amendments to the Articles are for the purposes of enhancing shareholder protection and compliance with the Listing Rules, the Directors do not anticipate the Proposed Resolutions would face any substantive objection from the Shareholders or any significant risk of not being passed at the First AGM.

For the avoidance of doubt, even though article 18 of the existing Articles provides that the rights attached to any such class of Shares may, subject to any rights or restrictions for the time being attached to any class of Shares, only be materially adversely varied either (a) with the consent in writing of the holders of all of the issued Shares of that class or (b) with the sanction of an ordinary resolution passed at a separate meeting of the holders of the Shares of that class, the Company expects to adopt the approach in (b) rather than in (a) to seek the relevant shareholders' approval for the Class-based Resolutions at a general meeting. Also, even though under the existing Articles a special resolution can be (x) passed by not less than two-thirds of the votes cast by such shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy, or, in the case of corporations, by their duly authorized representatives, at a general meeting of the Company, or (y) approved in writing by all of the shareholders entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the shareholders, the Company expects to adopt the approach in (x) rather than in (y) to seek the shareholders' approval for the Class-based Resolution and the Non-class-based Resolution at a general meeting. This is because, as a public company, it would involve heavy administrative work for the Company and will be practically impossible for the Company to collect written consents from a sufficiently large number of its public shareholders.

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After the Listing, the Company will in its annual reports confirm whether it has, in the preceding financial year, complied with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules to the extent required by Chapter 8A of the Hong Kong Listing Rules.

In the event of any failure to adhere to the requirements of Chapter 8A of the Listing Rules as determined by the Stock Exchange, the Stock Exchange may, as it considers necessary for the protection of the investors or the maintenance of an orderly market and in addition to any other action that the Stock Exchange considers appropriate under the Listing Rules, exercise absolute discretion to:

- (a) direct a trading halt or suspend dealings of any securities of the Company or cancel the listing of any securities of the Company as set out in Rule 6.01 of the Listing Rules;
- (b) impose the disciplinary sanctions set out in Rule 2A.09 of the Listing Rules against the parties set out in Rule 2A.10 of the Listing Rules;
- (c) withhold (a) approval for an application for the listing of securities; and/or (b) clearance for the issuance of a circular to the Company's shareholders unless and until all necessary steps have been taken to address the non-compliance as directed by the Stock Exchange to its satisfaction.

DEALINGS IN SHARES PRIOR TO LISTING

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

The Company had over 40 subsidiaries and Consolidated Affiliated Entities as of the Latest Practicable Date, and its ADSs are widely held, publicly traded and listed on the NYSE. The Company considers that it is therefore not in a position to control the investment decisions of its shareholders or the investing public in the U.S.

Solely based on public filings with the SEC as of the Latest Practicable Date, other than Mr. Zhou (the Company's Controlling Shareholder and an executive Director), holding Shares of the Company through an intermediary company, there were no shareholders who controlled more than 10% of the voting rights of the Company.

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

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

- (a) Mr. Zhou, in respect of (i) dealings by him and close associates pursuant to any Rule 10b5-1 Plans that have been set up prior to the Relevant Period (“**Category 1**”), and (ii) use of his 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. As of the Latest Practicable Date, none of the Shares beneficially owned by Mr. Zhou were used as security;
- (b) the Company’s Directors other than Mr. Zhou, and the directors and chief executives of its four significant subsidiaries and Consolidated Affiliated Entities (that is, subsidiaries and Consolidated Affiliated Entities that are not “insignificant subsidiaries” as defined under the Listing Rules, “**Significant Subsidiaries**”), in respect of (i) their respective use of the Shares as security (including, for the avoidance of doubt, using their respective shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) their respective dealings pursuant to Rule 10b5-1 Plans that have been set up prior to the Relevant Period (“**Category 2**”);

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- (c) directors, chief executives and substantial shareholders of the Company's insignificant subsidiaries (as defined under the Listing Rules) 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 the Company's substantial shareholder and who is not its director or chief executive, or a director or chief executive of the Company's subsidiaries and Consolidated Affiliated Entities, 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 this section headed “Dealings in Shares prior to Listing” or (ii) who are not dealing in the Company's securities according to Rule 10b5-1 Plans set up before the Relevant Period are subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules.

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 on the following conditions:

- (a) Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in the Company's ADSs after the plans have been entered into. Where Category 2 of the Permitted Persons use the Shares as security, other than those set out in the waiver above, there will be no change in the beneficial ownership of the Shares at the time of entering into the relevant transactions during the Relevant Period;
- (b) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of the Company given that such persons are not in a position with access to information that is considered material to the Company taken as a whole. Given the large number of the Company's subsidiaries and Consolidated Affiliated Entities and its vast ADS holder base, the Company and its management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in its ADSs;

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- (c) the Company will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which the Company is aware and will not have any influence over the Global Offering;
- (d) the Company will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of its core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (e) prior to the Listing Date, other than within the permitted scopes set out above, the Company's directors and chief executive and the directors and chief executives of its 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 incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

The Company believes that the circumstances relating to this waiver align with those set out in the Hong Kong Stock Exchange's Guidance Letter HKEX-GL42-12 and the Note to Rule 9.09 of the Listing Rules and the grant of this waiver will not prejudice the interests of potential investors.

SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

Rule 2.03(2) of the Hong Kong Listing Rules provides that the issue and marketing of securities should be conducted in a fair and orderly manner.

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

The conditions in Rules 10.03(1) and (2) of the Hong Kong Listing Rules are as follows:

- (a) that no securities are offered to the purchasers on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and

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- (b) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

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 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.

The Company has been listed on the NYSE since March 2021 and has a wide and diverse shareholder base. There is a robust level of trade in the Company's securities, with significant daily trading volume resulting in daily changes to its existing shareholders. The Company is not in a position to prevent any person or entity from acquiring its listed securities prior to the allocation of shares in connection with the Global Offering. It would therefore be unduly burdensome for the Company to seek the prior consent of the Hong Kong Stock Exchange for each of its existing shareholders or their close associates who subscribe for Offer Shares in the Global Offering.

The Company confirms that any person (whether or not an existing Shareholder of the Company) who may, as a result of dealings, become the Company's Shareholder and who is not a director or chief executive of the Company or its subsidiaries and Consolidated Affiliated Entities, or any of their close associates (the "**Permitted Existing Shareholders**"), has no influence over the Global Offering and is not in possession of any non-public inside information and are effectively in the same position as any other public investors of the Company.

Solely based on public filings with the SEC available as of the Latest Practicable Date, other than Tencent (holding Shares through Dandelion Investment Limited, Image Frame Investment (HK) Limited and Sogou Technology Hong Kong Limited, its subsidiaries), the Innovation Works entities (including Innovation Works Development Fund, L.P. and Innovation Works Holdings Limited) and the Qiming entities (including Qiming Venture Partners III, L.P., Qiming Venture Partners III Annex Fund, L.P. and Qiming Managing Directors Fund III, L.P.), the Company had no shareholder who was not a director and who controlled 5% or more of the Company's voting rights.

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

- (a) each Permitted Existing Shareholder is interested in less than 5% of the Company's voting rights immediately before the Listing;

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- (b) each Permitted Existing Shareholder is neither a director nor member of the senior management of the Company or its subsidiaries and Consolidated Affiliated Entities or any of their close associates;
- (c) the Permitted Existing Shareholders do not have the power to appoint directors of, or any other special rights in, the Company;
- (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;
- (f) no preferential treatment will be given to the Permitted Existing Shareholders in the allocation process by virtue of their relationship with the Company. Each of the Company, the Joint Bookrunners and the Joint Sponsors (based on its discussions with the Company, the Joint Bookrunners and the Joint Sponsors and the confirmations required to be submitted to the Stock Exchange by the Company, the Joint Bookrunners and the Joint Sponsors), will or have confirmed to the Stock Exchange in writing that, to the best of its knowledge and belief, that no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders as a placee in the International Offering by virtue of their relationship with the Company; and
- (g) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

The Company expects to satisfy all the conditions set out in paragraph 4.20 of Guidance Letter HKEX-GL85-16 so that no actual or perceived preference will be given to the Permitted Existing Shareholders due to their existing shareholdings in the Company.

Allocation to the Permitted Existing Shareholders will not be disclosed in the Company's allotment results announcement (other than to the extent that such Permitted Existing Shareholders subscribe for shares as cornerstone investors) unless such Permitted Existing Shareholders are interested in 5% or more of the issued share capital of the Company after the Global Offering as disclosed in any public filings with the SEC, as it would be unduly burdensome for the Company 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. For the avoidance of doubt, details of allocation to cornerstone investors, if any, will be disclosed in the Prospectus and the allotment results announcement and details of allocation to placees who are connected clients (as defined in the Placing Guidelines for Equity Securities set out in Appendix 6 of the Listing Rules), if any, will be disclosed in the allotment results announcement.

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WAIVER AND EXEMPTION IN RELATION TO THE SHARE INCENTIVE PLANS

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by the Company (the “**Share Option Disclosure Requirements**”):

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this prospectus. The Company is also required to disclose in this prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.
- (b) Paragraph 27 of Appendix 1A to the Listing Rules requires the Company to set out in this prospectus 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.
- (c) Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the prospectus.

As of the Latest Practicable Date, our Company had granted outstanding options under the 2012 Plan (the “**Relevant Plan**”) to 321 grantees to subscribe for an aggregate of 9,116,753 Class A Ordinary Shares, representing approximately 2.88% of the issued and outstanding Shares immediately following the completion of the Global Offering. All of the grantees are employees of our Group who are not Directors, members of senior management or connected persons of the Company. No further options will be granted pursuant to the Relevant Plan between the Latest Practicable Date and the Listing. For further details of our Share Incentive Plans, see the section headed “Statutory and general information—Share Incentive Plans” in Appendix IV to this prospectus.

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details

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relating to the options and certain grantees in this prospectus on the ground that the waiver and the exemption will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons, among others:

- (a) as of the Latest Practicable Date, we had granted outstanding options to a total of 321 grantees under the Relevant Plan to acquire an aggregate of 9,116,753 Class A Ordinary Shares, representing approximately 2.88% of the total number of Shares in issue immediately after completion of the Global Offering. The grantees under the Relevant Plan are employees of our Group and are not Directors, members of senior management or connected persons of our Company;
- (b) our Directors consider that it would be unduly burdensome to disclose in the prospectus full details of all the options granted by us to each of the grantees, which would significantly increase the cost and time required for information compilation and prospectus preparation for strict compliance with such disclosure requirements. For example, we would need to collect and verify the addresses of over three hundred grantees to meet the disclosure requirement. Further, the disclosure of the personal details of each grantee, including their names, addresses and the number of options granted, may require obtaining consent from the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;
- (c) material information on the options has been disclosed in the prospectus to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their investment decision, and such information includes:
 - (i) a summary of the latest terms of the Relevant Plan;
 - (ii) the aggregate number of Class A Ordinary Shares subject to the options and the percentage of our Shares of which such number represents;
 - (iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Share Incentive Plans);
 - (iv) full details of the options granted to Directors and members of the senior management and connected persons of our Company, on an individual basis, are disclosed in the prospectus, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the Companies Ordinance;

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- (v) in respect of the share options granted under the Relevant Plan to the other grantees, other than those referred to in paragraph (iv) above, by bands of (x) options to subscribe for more than 400,000 Class A Ordinary Shares, (y) options to subscribe for 200,001 to 400,000 Class A Ordinary Shares, and (z) options to subscribe for 1 to 200,000 Class A Ordinary Shares, the following details, including (A) the aggregate number of the grantees and the number of Shares subject to such option; (B) the consideration paid for the grant of such options; and (C) the exercise period and the exercise price for such options; and
- (vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively;

the above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Guidance Letter HKEx-GL11-09 issued in July 2009 and updated in March 2014 by the Stock Exchange.

- (d) the 321 grantees who are not Directors, members of the senior management or connected persons of the Company, have been granted options under the Relevant Plan to acquire an aggregate of 9,116,753 Class A Ordinary Shares, which is not material in the circumstances of our Company, and the exercise in full of such options will not cause any material adverse change in the financial position of our Company;
- (e) our Directors consider that non-compliance with the above disclosure requirements would not prevent our Company from providing potential investors with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group. Strict adherence to the disclosure requirements, including to disclose the names, addresses, and entitlements on an individual basis of over three hundred grantees without reflecting the materiality of the information does not provide any additional meaningful information to the investing public; and
- (f) a full list of all the grantees containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule will be made available for physical public inspection in accordance with “Documents delivered to the Registrar of Companies in Hong Kong and on Display—Documents available for inspection” in Appendix V of this prospectus.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application and the non-disclosure of the required information will not prejudice the interests of the investing public.

WAIVERS AND EXEMPTIONS

The Stock Exchange has granted to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules with respect to the options granted under the Relevant Plan on the condition that:

- (a) on an individual basis, full details of the options granted under the Relevant Plan to each of the Directors and the senior management and connected persons of the Company, will be disclosed in the section headed “Statutory and General Information—Share Incentive Plans” in Appendix IV as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the share options granted under the Relevant Plan to the other grantees, other than those referred to in paragraph (a) above, by bands of (x) options to subscribe for more than 400,000 Class A Ordinary Shares, (y) options to subscribe for 200,001 to 400,000 Class A Ordinary Shares, and (z) options to subscribe for 1 to 200,000 Class A Ordinary Shares, the following details, including (A) the aggregate number of the grantees and the number of Shares subject to such option; (B) the consideration paid for the grant of such options; and (C) the exercise period and the exercise price for such options will be disclosed in this prospectus;
- (c) the aggregate number of Class A Ordinary Shares underlying the outstanding options granted under the Relevant Plan and the percentage of the Company’s total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in this prospectus;
- (d) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Relevant Plan will be disclosed in the section headed “Statutory and General Information—Share Incentive Plans” in Appendix IV;
- (e) a summary of the major terms of the Relevant Plan will be disclosed in the section headed “Statutory and General Information—Share Incentive Plans” in Appendix IV;
- (f) the particulars of this waiver will be disclosed in this prospectus;
- (g) a list of all the grantees (including those persons whose details have already been disclosed) containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for physical public inspection in accordance with “Documents delivered to the Registrar of Companies in Hong Kong and on Display—Documents available for inspection” in Appendix V of this prospectus; and

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- (h) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has granted to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the options granted under the Relevant Plan exempting the Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) full details of the options under the Relevant Plan to each of the Directors and the senior management and connected persons of the Company will be disclosed in the section headed “Statutory and General Information—Share Incentive Plans” in Appendix IV as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the share options granted under the Relevant Plan to the other grantees, other than those referred to in paragraph (a) above, by bands of (x) options to subscribe for more than 400,000 Class A Ordinary Shares, (y) options to subscribe for 200,001 to 400,000 Class A Ordinary Shares, and (z) options to subscribe for 1 to 200,000 Class A Ordinary Shares, the following details, including (A) the aggregate number of the grantees and the number of Shares subject to such option; (B) the consideration paid for the grant of such options; and (C) the exercise period and the exercise price for such options will be disclosed in this prospectus;
- (c) a full list of all the grantees (including the persons referred to in (a) above) who have been granted options to subscribe for shares under the Relevant Plan, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for physical public inspection in accordance with “Documents delivered to the Registrar of Companies in Hong Kong and on Display—Documents available for inspection” in Appendix V of this prospectus; and
- (d) the particulars of this exemption will be disclosed in this prospectus and that this prospectus will be issued on or before April 11, 2022.

Further details of the Relevant Plan are set forth in the section headed “Statutory and General Information—Share Incentive Plans” in Appendix IV.

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USE OF U.S. GAAP

Rules 4.10 and 4.11 of, and Note 2.1 to Paragraph 2 of Appendix 16 to, the Listing Rules require the Company to prepare its financial statements in the prospectus and the subsequent financial reports issued after listing to be in conformity with: (a) Hong Kong Financial Reporting Standards (“**HKFRS**”); (b) IFRS; or (c) China Accounting Standards for Business Enterprises in the case of companies incorporated in China, subject to Note 2.6 to Paragraph 2 of Appendix 16 to the Listing Rules.

Note 2.6 to Paragraph 2 of Appendix 16 to the Listing Rules provides that the Stock Exchange may allow the annual financial statements of an overseas issuer to be drawn up otherwise than in conformity with financial reporting standards referred to in Note 2.1 above.

Rule 19.25A of the Listing Rules provides that the annual accounts are required to conform with financial reporting standards acceptable to the Stock Exchange, which are normally HKFRS or IFRS. Where the Stock Exchange allows annual accounts to be drawn up otherwise than in conformity with HKFRS or IFRS, the annual accounts will be required to conform with financial reporting standards acceptable to the Stock Exchange. In such cases the Stock Exchange will normally require the annual accounts to contain a reconciliation statement setting out the financial effect of the material differences (if any) from either HKFRS or IFRS.

In Guidance Letter HKEX-GL111-22 (“**GL111-22**”), the Stock Exchange has indicated that it has accepted that the financial statements and accountants’ reports of overseas issuers with, or seeking, a dual-primary or secondary listing in the United States and on the Stock Exchange can be prepared in conformity with U.S. GAAP. GL111-22 further provides that, an overseas issuer adopting a body of financial reporting standards other than HKFRS or IFRS for the preparation of its financial statements must include a reconciliation statement setting out the financial effect of any material differences between those financial statements and financial statements prepared using HKFRS or IFRS in its accountants’ reports and annual/interim/quarterly reports.

As a company listed on the NYSE, the Company uses Generally Accepted Accounting Principles in the U.S., or the U.S. GAAP, and corresponding audit standards for the filing of its financial statements with the SEC as determined by the United States Public Company Accounting Oversight Board. U.S. GAAP is well recognized and accepted by the international investment community, particularly among technology companies, and significant progress has been made in the convergence between U.S. GAAP and IFRS. Additionally, we note that it might lead to confusion among the Company’s investors and shareholders if the Company was required to adopt different accounting standards for its disclosures in Hong Kong from those in the U.S. Aligning the accountings standards used for disclosures in both markets will alleviate any such confusion.

WAIVERS AND EXEMPTIONS

Our Company has applied to the Hong Kong Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 4.10 and 4.11 of, and note 2.1 to paragraph 2 of the Appendix 16 to, the Listing Rules to allow the financial statements and accountants' report in the listing document to be prepared based on U.S. GAAP, subject to the following conditions:

- (a) the Company will include (i) a description of the relevant key differences between U.S. GAAP and IFRS; and (ii) a statement showing the financial effect of any material differences between the financial statements during the Track Record Period prepared using U.S. GAAP and IFRS (“**Reconciliation Statement**”) in the accountants' report with a view to enabling investors to appraise the impact of the two accounting standards on the Company's financial statements; such Reconciliation Statement is included as a note to the audited accountant's report;
- (b) the Company will include a similar Reconciliation Statement mentioned in paragraph (a) above for its interim and annual reports issued after its Listing on the Stock Exchange; such Reconciliation Statements will be included as a note to the audited financial statements in the annual reports or reviewed financial statements in the interim reports. When the relevant financial statements are not audited or reviewed by auditors, the Reconciliation Statements required to be included as a note to such financial statements will be reviewed by its auditor in accordance with a standard comparable to International Standard on Assurance Engagements 3000 or Hong Kong Standard on Assurance Engagements 3000;
- (c) the Company will comply with Rules 4.08, 19.12, 19.14 and 19.25A of the Listing Rules and paragraphs 30-33 of GL111-22;
- (d) the Company will use Hong Kong Financial Reporting Standards or IFRS in the preparation of the Company's financial statements in the event that the Company is no longer listed in the U.S. or has no obligation to make financial disclosure in the U.S.; and
- (e) this waiver request will not be applied generally and is based on the specific circumstances of the Company.

LAYING 2021 ANNUAL FINANCIAL STATEMENTS BEFORE MEMBERS AT AN ANNUAL GENERAL MEETING WITHIN SIX MONTHS AFTER THE END OF FINANCIAL YEAR

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

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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.

The Company was incorporated in the Cayman Islands and is primary listed on NYSE, and accordingly, the Company is an issuer with significant interests outside of Hong Kong.

The upcoming general meeting will be the first time that the Company will hold an annual general meeting (the “**First AGM**”) after its dual primary listing in Hong Kong and the Company expects to hold the First AGM by no later than August 31, 2022.

The First AGM will be the first time that the Company will hold a general meeting after the Listing and the first time that it needs to attend to a shareholder base in a different geography. The Company has not historically held any general meeting with shareholders in either the U.S. or Hong Kong. The procedure for convening the Company’s 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, amongst others, the principal and Hong Kong Share Registrars of the Company, the ADS depositary bank and Hong Kong Securities Clearing Company Limited. This procedure would require the Company (a public company primarily listed in the U.S. with a highly fragmented and diverse shareholder base), with the help of its ADS depositary bank, to gather the mailing details of all the securities holders, prepare and print the AGM notice and proxy forms, and mail physical copies to, and collect vote cards from, securities holders and ADS holders. Typically, this will take more than two months for the Company (and the relevant parties) to organize, including complying with various timing requirements in the U.S. (such as notifying the NYSE and the ADS depositary bank of the record date and there typically being at least 30 days between record date for a general meeting) and Hong Kong (such as giving at least 21 days’ notice to shareholders in accordance with the Company’s Undertaking for Interim Compliance described in the section headed “—Requirements Relating to the Articles of Association of the Company” described above). Since this would be the Company’s first time convening a general meeting with both U.S. and Hong Kong shareholders following the Listing, and the Company would also need to put forth resolutions to amend its Articles, additional time, manpower and costs will have to be budgeted to take into account novel issues arising from the Company and the various parties involved. The Company 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.

Furthermore, the Company has included in this prospectus the audited financial information for the year ended December 31, 2021 and other financial disclosure. Upon the Listing, the Company will therefore have provided its shareholders with all of the information required under Rule 13.46(2)(b) of the Hong Kong Listing Rules as early as in April 2022. Accordingly, the laying of annual accounts for the fiscal year ended December 31, 2021 at an AGM within six months after the end of the financial year, that is, on or before June 30, 2022, 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 the annual report. Given that all the information required under Rule 13.46(2) shall be

WAIVERS AND EXEMPTIONS

included in this prospectus, which will be made available to its existing shareholders and potential investors, the Company's shareholders would not be unfairly prejudiced by the Company laying its annual financial accounts in an AGM not within six months from the end of the fiscal year ended December 31, 2021.

The Company expects to hold its First AGM for 2021 no later than August 31, 2022. For completeness, the Company expects to hold an annual general meeting within six months after the end of its financial year beginning with the annual general meeting for 2022.

Section 302 of the NYSE Listed Company Manual requires that each company listing common stock or voting preferred stock and their equivalents are required to hold an annual shareholders' meeting for the holders of such securities during each fiscal year. There is no requirement under the NYSE rules to hold an AGM within the period of six months after the end of financial year or accounting reference period to which the annual financial statements relate. Section 401.02 requires a minimum of ten days' notice prior to the record date of the annual shareholders' meeting. Section 401.03 recommends a minimum of 30 days between the record date and the meeting date to allow time for solicitation of proxies.

The Company's Cayman Islands counsel confirmed that (a) the Cayman Companies Act does not require the Company to follow or comply with the requirement under the Hong Kong Listing Rules to hold an AGM by June 30, 2022 to lay before members annual financial statements for the financial year ended December 31, 2021; and (b) the Company's not holding an AGM by June 30, 2022 will not breach any law, public rule or regulation applicable to the Company currently in force in the Cayman Islands and the Articles. On the basis of the above, the Company confirms that, having consulted its legal advisers, not holding an annual general meeting by the Company before June 30, 2022 does not contravene the relevant requirements under the NYSE rules, U.S. securities laws, laws of the Cayman Islands or the Company's Articles.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 13.46(2)(b) of the Hong Kong Listing Rules with respect to the requirement to lay the Company's annual financial statements for the year ended December 31, 2021 before its members at an AGM within six months after the financial year ended December 31, 2021, subject to the condition that the Company lay such annual financial statements before its members at the First AGM before August 31, 2022.

EXERCISE PRICE OF OPTIONS TO BE GRANTED PURSUANT TO THE SHARE INCENTIVE PLANS AFTER THE LISTING

Note (1) to Rule 17.03(9) of the Listing Rules states that the exercise price of an option must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

WAIVERS AND EXEMPTIONS

Since the listing of the Company's ADSs on the NYSE in March 2021, it has been the Company's practice to issue options exercisable into ADSs (every two of which represent one underlying Class A Ordinary Shares) under the Share Incentive Plans and the Company may continue to issue options exercisable into ADSs under the 2022 Plan after the Listing. By definition, ADSs are denominated in U.S. dollars, and the exercise price for options with respect to ADSs will necessarily be presented in U.S. dollars. Pursuant to the waiver from strict compliance with Rules 4.10 and 4.11 of, and Note 2.1 to Paragraph 2 of Appendix 16 of the Listing Rules described under the sub-section headed "– Use of U.S. GAAP" above, the Company will continue to prepare its accounts based on U.S. GAAP after the Listing in line with its established practice of granting options with exercise prices and restricted share units with grant values denominated in U.S. dollars and tied to the market price of its NYSE-traded ADSs.

On the basis that (a) the method for determining the exercise price of the options based on the market price of ADSs substantially replicates the requirement in Note (1) to Rule 17.03(9) of the Listing Rules, and (b) it has been the Company's practice to issue options exercisable into ADSs with exercise prices denominated in U.S. dollars, and the Company may continue to grant options under the Share Incentive Plans with exercise prices based on the market price of its ADSs which are denominated in U.S. dollars after the Listing, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules such that the Company be able to determine the exercise price for grants under its share option schemes based on the higher of: (i) the per-share closing price of the Company's ADSs on the NYSE on the date of grant, which must be a NYSE trading day; and (ii) the average per-share closing price of the Company's ADSs on the NYSE for the five NYSE trading days immediately preceding the date of grant, subject to the condition that the Company shall not issue any share options with an exercise price denominated in Hong Kong dollars unless such exercise price complies with Note (1) to Rule 17.03(9) of the Listing Rules.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (where applicable) (i) the announcement, independent shareholders' approval and circular requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the section headed "Connected Transactions."

WAIVERS AND EXEMPTIONS

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 listing document.

The Public Offer Price will be determined by reference to, among other factors, the closing price of our ADS on NYSE on the last trading date on or before the price determination date and we have no control on the market price of our ADSs traded on NYSE. The latest market price of the Company's ADSs is accessible to the Shareholders and potential investors at <https://www.nyse.com/quote/XNYS:ZH>. Given the ADSs of our Company are freely tradable on NYSE, there may be price fluctuations in the ADSs as a result of market volatility and other factors during the period from the bulk-printing of this prospectus until the pricing of the Global Offering.

Setting a fixed price or a price range with a low end offer price per Offer Share may adversely affect the market price of the ADSs and the Hong Kong Offer Shares considering, among other factors, that this may indicate an arbitrary floor price and may potentially prejudice our ability to price in the best interest of us and our Shareholders.

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

This prospectus will also disclose (i) the time for determination and announcement of the International Offer Price and the Public Offer Price, (ii) the historical prices of our ADSs and the trading volume on the NYSE, (iii) the determinants of the pricing of the Offer Shares and (iv) the source for the potential investors to access the latest market price of our ADSs, which will provide the potential investors with sufficient information to form informed decisions of their investment.

Given in no circumstances will the Public Offer Price for the Hong Kong Offer Shares be greater than the maximum Public Offer Price as stated in this prospectus and the Application Form, the disclosure of the maximum Public Offer Price in this prospectus will be in compliance with the requirement to disclose the "amount payable on application and allotment on each share" as required by paragraph 9 of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 15(2)(c) of Part A of Appendix 1 to the Hong Kong Listing Rules.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give document information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant **GREEN** Application Form, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Public Offer Price to be determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholders and our Company on the Price Determination Date. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Public Offer Price is expected to be determined between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholders and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, April 14, 2022 and, in any event, not later than Sunday, April 17, 2022 (unless otherwise determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company). If, for whatever reason, the Public Offer Price is not agreed between the Joint Global Coordinators, the Selling Shareholders and our Company on or before Sunday, April 17, 2022, the Global Offering will not become unconditional and will lapse immediately.

See the section headed “Underwriting” for further information about the Underwriters and the underwriting arrangements.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Class A Ordinary Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

DETERMINATION OF THE PUBLIC OFFER PRICE

The Offer Shares are being offered at the Public Offer Price which will be determined by the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholders and us on or around Thursday, April 14, 2022 and in any event no later than Sunday, April 17, 2022.

If the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholders and the Company are unable to reach an agreement on the Public Offer Price on or before Sunday, April 17, 2022 or such later date or time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholders and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE CLASS A ORDINARY SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares (except for a registration of Class A ordinary shares on a shelf registration statement on Form F-3 and a preliminary prospectus supplement filed with the SEC) or the distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus and/or the **GREEN** Application Form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

and/or the **GREEN** Application Form and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, (i) the Class A Ordinary Shares in issue; (ii) the Class A Ordinary Shares to be issued pursuant to the Share Incentive Plans; and (iii) the Class A Ordinary Shares that are issuable upon conversion of the Class B Ordinary Shares on a one to one basis.

We satisfy the market capitalization/revenue test under Rule 8A.06(2) of the Listing Rules with reference to: (i) our revenue for the year ended December 31, 2021, being approximately RMB2,959.3 million, which is over HK\$1 billion; and (ii) our expected market capitalization at the time of Listing, which, based on the indicative Public Offer Price, exceeds HK\$10 billion.

Dealings in the Class A Ordinary Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, April 22, 2022. Our ADSs are currently listed on and dealt on the NYSE. Other than the foregoing, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong share register of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Class A Ordinary Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Class A Ordinary Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Class A Ordinary Shares or exercising any rights attached to them.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering.” Assuming that the Over-allotment Option is exercised in full, the Over-allotment Shareholders may be required to sell up to an aggregate of 3,900,000 Class A Ordinary Shares.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

The Company’s principal register of members will be maintained by its principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands. All of the Class A Ordinary Shares issued pursuant to the Global Offering will be registered on the Company’s Hong Kong share register to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in the Class A Ordinary Shares registered in our Company’s Hong Kong Share Register will be subject to Hong Kong stamp duty. Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Class A Ordinary Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders’ risk, to the registered address of each shareholder.

CLASS A ORDINARY SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Class A Ordinary Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Class A Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Class A Ordinary Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

LISTINGS

Our Company currently has a primary listing of ADSs on the NYSE, which it intends to maintain alongside its proposed dual primary listing of Class A Ordinary Shares on the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering.”

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains conversions among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated, or at all. Unless indicated otherwise, the conversions between U.S. dollars and Renminbi were made at the rate of RMB6.3726 to US\$1.00 and the conversions between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.7996 to US\$1.00, the respective exchange rate on December 30, 2021 set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

OWNERSHIP OF ADS

An owner of ADSs may hold his or her ADSs either (a) directly, by having an ADR in physical certificated form registered in his or her name, (b) indirectly, through a brokerage or safekeeping account, or (c) by holding a “Direct Registration ADR” in book-entry form in the “Direct Registration System,” the system established by the Depository Trust Company (“DTC”) for the uncertificated registration of ownership of securities utilized by the depository to record the ownership of ADRs without the issuance of certificates, in which case the ownership is evidenced by periodic statements issued by the Depository to the holders of ADRs entitled thereto. The direct registration system includes automated transfers between the depository bank and DTC, the central book-entry clearing and settlement system for equity securities in the United States. If an owner of ADSs decides to hold his or her ADSs through his or her brokerage or safekeeping account, he or she must rely on the procedures of his or her broker or bank to assert his or her rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. All ADSs held through DTC will be registered in the name of a nominee of DTC.

DEALINGS AND SETTLEMENT OF CLASS A ORDINARY SHARES IN HONG KONG

Dealings in our Class A Ordinary Shares on the Stock Exchange will be conducted in Hong Kong dollars. Our Class A Ordinary Shares will be traded on the Stock Exchange in board lots of 100 Class A Ordinary Shares.

The transaction costs of dealings in our Class A Ordinary Shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- FRC transaction levy of 0.00015% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.26% of the value of the transaction, with 0.13% payable by each of the buyer and the seller;

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A Ordinary Shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors in Hong Kong must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his/her Class A Ordinary Shares in his/her stock account or in his/her designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his/her broker or custodian before the settlement date.

An investor may arrange with his/her broker or custodian on a settlement date in respect of his/her trades executed on the Stock Exchange. Under the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in effect from time to time, the date of settlement must be the second settlement day (a day on which the settlement services of CCASS are open for use by CCASS Participants) following the trade date (T+2). For trades settled under CCASS, the General Rules of CCASS and CCASS Operational Procedures in effect from time to time provided that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

DEPOSITARY

The depositary for our ADSs is JPMorgan Chase Bank, N.A. (the “**Depositary**”), whose office is located at 383 Madison Avenue, Floor 11, New York, NY 10179. The certificated ADSs are evidenced by certificates referred to as American Depositary Receipts (“**ADRs**”) that are issued by the Depositary.

Every two ADSs represent ownership interests in one Class A Ordinary Shares, and any and all securities, cash or other property deposited with the Depositary in respect of such Class A Ordinary Shares but not distributed to ADS holders.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ADSs may be held either (a) directly, by having an ADR in physical certificated form registered in the holder's name (b) indirectly, through the holder's brokerage or safekeeping account or (c) by holding a "Direct Registration ADR" in book-entry form in the "Direct Registration System," the system established by the Depository Trust Company ("DTC") for the uncertificated registration of ownership of securities utilized by the depository to record the ownership of ADRs without the issuance of certificates, in which case the ownership is evidenced by periodic statements issued by the Depository to the holders of ADRs entitled thereto. The following discussion regarding ADSs assumes the holder holds its ADSs directly. If a holder holds the ADSs indirectly through its brokerage or safekeeping account, it must rely on the procedures of its broker or other financial institution to assert the rights of ADS holders described in this section. If applicable, you should consult with your broker or financial institution to find out what those procedures are. Banks and brokers typically hold securities such as the ADSs through participants in the DTC clearing and settlement system. ADSs held through DTC will be registered in the name of a nominee of DTC.

We do not treat ADS holders as Shareholders, and ADS holders have no Shareholder rights. Cayman Islands law governs Shareholder rights. Because the Depository actually holds the legal title to our Class A Ordinary Shares represented by ADSs (through the Depository's Custodian (as defined below)), ADS holders must rely on it to exercise the rights of a Shareholder. The obligations of the Depository are set out in the deposit agreement among us, the Depository and our ADS holders and beneficial owners as amended from time to time (the "**Deposit Agreement**"). The Deposit Agreement, the ADSs and the ADRs evidencing ADSs are governed by the law of the State of New York without giving effect to the application of the conflict of law principles thereof.

Transfer of Shares to Hong Kong Share Register

All of our Class A Ordinary Shares are currently registered on the principal register of members in the Cayman Islands. As at the Latest Practicable Date, there was an aggregate of 310,744,416 issued Class A Ordinary Shares on the registers of members in the Cayman Islands, 62,023,387 of which were on deposit in the ADS program. For the purposes of trading on the Stock Exchange, the Class A Ordinary Shares must be registered in the Hong Kong Share Register. ADSs are quoted for trading on NYSE. An investor who holds Class A Ordinary Shares and wishes to trade ADSs on NYSE must deposit or have his broker deposit with J.P. Morgan Chase Bank N.A. Hong Kong, as custodian of the Depository (the "**Depository's Custodian**"), Class A Ordinary Shares, or evidence of rights to receive Class A Ordinary Shares, so as to receive the corresponding ADSs as described below.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Converting Class A Ordinary Shares Trading in Hong Kong to ADSs

An investor who holds Class A Ordinary Shares registered in Hong Kong and who intends to convert them to ADSs to trade on the New York Stock Exchange must deposit or have his or her broker deposit the Class A Ordinary Shares with the Depository's Hong Kong Custodian, J.P. Morgan Chase Bank N.A. Hong Kong, in exchange for ADSs. A deposit of Class A Ordinary Shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If Class A Ordinary Shares have been deposited with CCASS, the investor must transfer Class A Ordinary Shares to the depository's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- If Class A Ordinary Shares are held outside CCASS, the investor must arrange to deposit his or her Class A Ordinary Shares into the CCASS for delivery to the depository's account with the custodian within CCASS, and must submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- Upon payment of its fees and expenses, payment or net of the depository's fees and expenses, and payment of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will register the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor or his or her broker if such ADSs are to be held in book-entry form through DTC's "Direct Registration System".

For Class A Ordinary Shares deposited in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A Ordinary Shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

Converting ADSs to Class A Ordinary Shares Trading in Hong Kong

Following the listing of our Class A Ordinary Shares on the Hong Kong Stock Exchange, Class A Ordinary Shares registered on the Hong Kong share register will be able to convert these Class A Ordinary Shares into ADSs, and vice versa, subject to certain exceptions as provided herein. In addition, thereafter all deposits of Class A Ordinary Shares for the issuance of ADSs and all withdrawals of Class A Ordinary Shares upon the cancellation of ADSs will be in the form of Class A Ordinary Shares registered on our Hong Kong share register and all corporate actions with respect thereto will be processed via the depository's custodian account

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

at CCASS, subject to the rules and procedures applicable to CCASS – eligible securities, and also subject, in each case, to certain exceptions described below and provided that the foregoing shall not apply to certain of our “restricted” Class A Ordinary Shares and Class A Ordinary Shares as determined by the Company and the depositary, which will be via our principal register in the Cayman Islands.

An investor who holds ADSs and who intends to convert his or her ADSs Class A Ordinary Shares that trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds and withdraw Class A Ordinary Shares from our ADS program and cause his or her broker or other financial institution to trade such Class A Ordinary Shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct the broker to arrange for cancellation of the ADSs, and transfer of the underlying Class A Ordinary Shares from the depositary’s account with the custodian within the CCASS system to the investor’s Hong Kong stock account. For investors holding ADSs directly, the following steps must be taken:

- To withdraw Class A Ordinary Shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary.
- Upon payment or net of its fees, payment of CCASS’ fees and expenses, and payment of expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will instruct the custodian to deliver Class A Ordinary Shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Class A Ordinary Shares outside CCASS, he or she must receive Class A Ordinary Shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Class A Ordinary Shares in their own names with the Hong Kong Share Registrar.

For Class A Ordinary Shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

For Class A Ordinary Shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A Ordinary Shares on the Hong Kong Stock Exchange until the procedures are completed.

Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures for delivery for Class A Ordinary Shares in a CCASS account is subject to there being a sufficient number of Class A Ordinary Shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Class A Ordinary Shares on the Hong Kong share register to facilitate such withdrawals.

In the event there are not a sufficient number of Class A Ordinary Shares on the Hong Kong share register in the account of the depositary's custodian at CCASS to satisfy a cancellation of ADSs and withdrawal of Class A Ordinary Shares in whole or in part, such withdrawal shall be in the form of Class A Ordinary Shares on the Hong Kong share register to the extent available with the balance to be in the form of Class A Ordinary Shares on the Company's principal share register in the Cayman Islands. The depositary is not under any obligation, and has no ability, to maintain or increase the number of Class A Ordinary Shares held by its custodian on the Hong Kong share register to facilitate such withdrawals.

Depositary Requirements

Before the depositary delivers ADSs or permits withdrawal of Class A Ordinary Shares, the depositary may require:

- payment of all amounts required pursuant to the deposit agreement, including the issuance and cancellation fees therein, any stock transfer or other tax or other governmental charges and any stock transfer or registration fees in effect;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including completion and presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the depositary or our Hong Kong share registrar or Cayman share registrar are closed or at any time if the depositary or we determine it advisable to do so, subject to such refusal complying with U.S. federal securities laws.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All costs attributable to the transfer of Class A Ordinary Shares to effect a withdrawal from or deposit of Class A Ordinary Shares into our ADS program will be borne by the investor requesting the transfer. In particular, holders of Class A Ordinary Shares and ADSs should note that the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Listing Rules), for each transfer of Class A Ordinary Shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of Class A Ordinary Shares and ADSs must pay up to US\$5.00 per 100 ADSs (or portion thereof) for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of Class A Ordinary Shares into, or withdrawal of Class A Ordinary Shares from, our ADS program.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English document which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
ZHOU Yuan (周源)	Unit 1413, Building 11 62 Tong Lin Ge Road Xicheng District Beijing, China	Chinese
LI Dahai (李大海)	Room 2-201, Building 8 Lugang Jiayuan Chaoyang district Beijing, China	Chinese
SUN Wei (孫偉)	7A Honor Villa 75 Caine Road Hong Kong	Chinese (Hong Kong)
Non-executive Directors		
LI Zhaohui (李朝暉)	Unit 1710, Building 2 Courtyard 2, An Hui Dong Li Chaoyang District Beijing, China	Chinese
PENG Jiatong (彭佳瞳)	Room 302, Block 2, Building 5 9 Wan Hong Xi Street Chaoyang District Beijing, China	Chinese (Hong Kong)
Independent non-executive Directors		
SUN Hanhui Sam (孫含暉)	64 Donggong Street Dongcheng District Beijing, China	Chinese
NI Hope (倪虹)	Shouson Hill Road No. 9, House 17B Deep Water Bay Hong Kong	Chinese (Hong Kong)
CHEN Derek	1601 G3 Bihaiyuan 97 Yao Jia Yuan Road Beijing, China	American

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

J.P. Morgan Securities (Far East) Limited
28/F, Chater House
8 Connaught Road Central
Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Joint Global Coordinators

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**J.P. Morgan Securities (Asia Pacific)
Limited**
28/F, Chater House
8 Connaught Road Central
Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and
Joint Lead Managers****CMB International Capital Limited**

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Credit Suisse (Hong Kong) Limited

Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**J.P. Morgan Securities (Asia Pacific)
Limited**

28/F, Chater House
8 Connaught Road Central
Hong Kong

J.P. Morgan Securities LLC

*(in relation to the International Offering
only)*

383 Madison Avenue
New York, NY 10179
United States

**China International Capital Corporation
Hong Kong Securities Limited**

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road
Central
Hong Kong

Auditor and Reporting Accountant**PricewaterhouseCoopers**

Certified Public Accountants

Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong and U.S. laws:

Skadden, Arps, Slate, Meagher & Flom and affiliates

42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law

Han Kun Law Offices

9/F, Office Tower C1
Oriental Plaza, 1 East Chang An Avenue
Dongcheng District, Beijing 100738
China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands laws</i> Maples and Calder (Hong Kong) LLP 26th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong</p>
Legal Advisors to the Joint Sponsors and the Underwriters	<p><i>As to Hong Kong and U.S. laws</i> Clifford Chance 27th Floor, Jardine House One Connaught Place Hong Kong</p>
	<p><i>As to PRC law</i> Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing China</p>
Industry Consultant	<p>China Insights Industry Consultancy Limited 10F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai 200070 China</p>
Receiving Bank	<p>Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong</p>

CORPORATE INFORMATION

Registered Office	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Head Office and Principal Place of Business in China	A5 Xueyuan Road Haidian District Beijing 100083 China
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's Website	https://ir.zhihu.com/ <i>(The information on the website does not form part of this prospectus.)</i>
Authorized Representatives	Mr. Wei Sun A5 Xueyuan Road Haidian District Beijing 100083 China Ms. Yee Wa Lau Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Mr. Hanhui Sam Sun (<i>Chairman</i>) Ms. Hope Ni Mr. Derek Chen
Compensation Committee	Mr. Hanhui Sam Sun (<i>Chairman</i>) Ms. Hope Ni Mr. Yuan Zhou
Nominating and Corporate Governance Committee	Mr. Hanhui Sam Sun Ms. Hope Ni (<i>Chairwoman</i>) Mr. Derek Chen
Joint Company Secretaries	Mr. Peng Qi A5 Xueyuan Road Haidian District Beijing 100083 China

CORPORATE INFORMATION

	<p>Ms. Yee Wa Lau Level 54, Hopewell Centre 183 Queen's Road East Hong Kong</p>
Compliance Adviser	<p>Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong</p>
Hong Kong Share Registrar	<p>Computershare Hong Kong Investor Services Limited Shop 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong</p>
Principal Share Registrar and Transfer Office	<p>Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands</p>
Principal Bankers	<p>China Minsheng Bank, Beijing Wanliu branch 2/F, Building No. 2, Courtyard No. 6 Wanliu Zhong Road Haidian District Beijing China</p> <p>Ping An Bank, Beijing Dongzhimen branch A-C, 6/F, Dongfang Yinzuo Office Building 48 Dongzhimenwai Street Dongcheng District Beijing China</p> <p>Citic Bank, Beijing Dongdaqiao branch 18 Gongti East Road Chaoyang District Beijing China</p>

INDUSTRY OVERVIEW

Certain information and statistics presented in this section and elsewhere in this prospectus were derived from official government publications and other publicly available sources as well as from a market research report and a user and customer survey, each commissioned by us and prepared by CIC, an independent market research and consulting company. The survey was conducted in September 2021 with 2,000 randomly sampled users of online content communities in China, who, among other criteria, were over 16 years old and used over two online content communities in the preceding month at the time of the survey. We refer to this report as the “CIC Report” and the survey as the “CIC Survey.” We believe that the sources of the information in this section and elsewhere in this prospectus are appropriate sources for such information and reasonable care has been taken in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us or any parties (except CIC) involved in the Global Offering, or any of our or their respective directors, officers, or representatives, and no representation is given as to its accuracy or completeness. Accordingly, you should not place undue reliance on such information and statistics. For discussions of risks relating to our industry, see “Risk Factors—Risks Relating to Our Business and Industry.”

SOURCE OF INFORMATION

We commissioned CIC, an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting to conduct a detailed research on and analysis of China’s online content market and online content communities. We have agreed to pay a fee of RMB524,000 to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in “Summary,” “Risk Factors,” “Business,” “Financial Information,” and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry where we operate.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of China’s online content market and China’s online content communities. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the PRC National Bureau of Statistics, China Internet Network Information Center, and various industry associations. The information and data collected by CIC has been analyzed, assessed, and validated using CIC’s in-house analysis models and techniques.

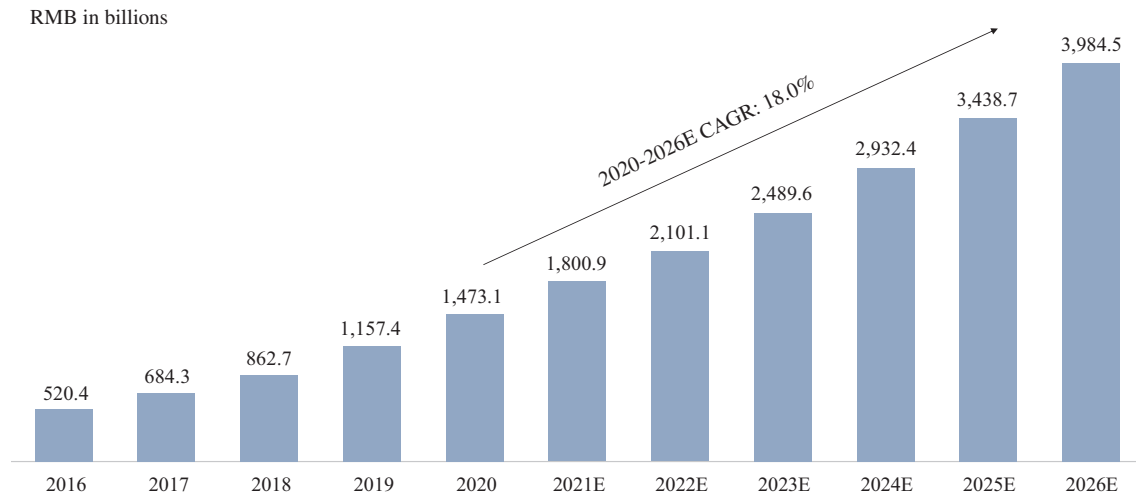
INDUSTRY OVERVIEW

The CIC Report was compiled based on the following assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period, (ii) the Chinese economy is expected to grow steadily during the forecast period, and (iii) there will be no extreme unforeseen events, including regulations and government policies, which may materially affect the market during the forecast period.

OVERVIEW OF CHINA'S ONLINE CONTENT MARKET

China's online content market size in terms of revenue reached RMB1.5 trillion in 2020, approximately three times of that in 2016, and is expected to further increase to RMB4.0 trillion in 2026, representing a CAGR of 18.0% from 2020, according to CIC. The consumption of, and willingness to pay for, online content have been increasing in China, creating a massive and fast-growing online content market.

China's Online Content Market Size (in terms of revenue), 2016-2026E



Source: CIC Report

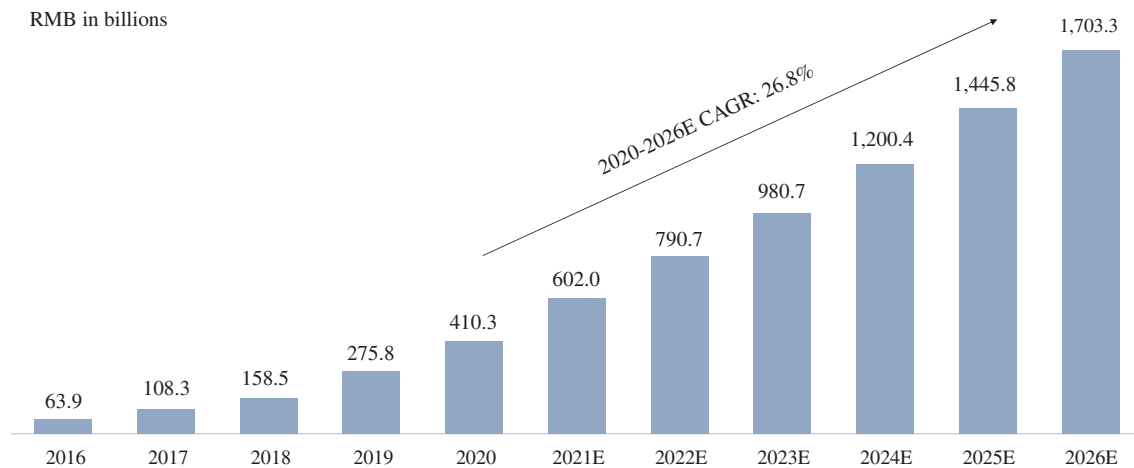
The user base of China's online content market reached 893.7 million in 2020, up from 630.1 million in 2016, and is expected to further increase to 1.1 billion in 2026. In 2020, 90.4% of China's internet population were online content market users, up from 86.2% in 2016, and such percentage is expected to reach 92.7% in 2026.

INDUSTRY OVERVIEW

OVERVIEW OF CHINA'S ONLINE CONTENT COMMUNITIES

Online content communities refer to UGC and PUGC-focused online content market players where content creators are also users, who actively engage within the communities and are therefore better positioned to create content that meets users' needs and encourages interactions. As a result, content communities generally can stimulate higher level of user engagement, cultivate more vibrant community culture, offer more interactive user experience, and enjoy lower content cost, compared to PGC-focused players. As China's online content market evolves, users value not only the richness and diversity of content, but also the quality of the content and the culture of content communities.

Market Size of China's Online Content Communities (in terms of revenue), 2016-2026E



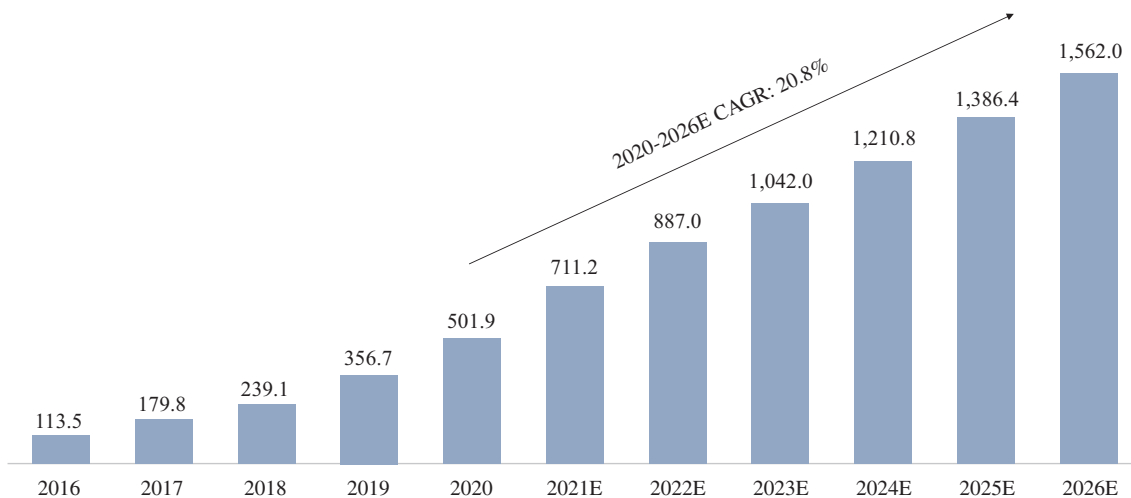
Source: CIC Report

The market size of China's online content communities in terms of revenue increased from RMB63.9 billion in 2016 to RMB410.3 billion in 2020, and is expected to increase to RMB1.7 trillion in 2026, representing a CAGR of 26.8% from 2020, outgrowing the overall online content market. Online content community user base in China has expanded significantly from 563.1 million in 2016 to 817.5 million in 2020, and is expected to further increase to 1.1 billion in 2026.

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Revenue per User of China's Online Content Communities, 2016-2026E

RMB



Source: CIC Report

China's online content community market is still at early stage of monetization with significant growth potential. Revenue per user of China's online content communities, calculated as total revenue of online content community market divided by total number of users, was RMB501.9 in 2020, growing over fourfold since 2016, but only about half of that of the U.S. market in 2020, which was RMB1,176.9. In 2026, this value in the China market is expected to further increase threefold to RMB1,562.0, which is still lower than the RMB2,036.5 expected for the U.S. market, showing significant potential for monetization.

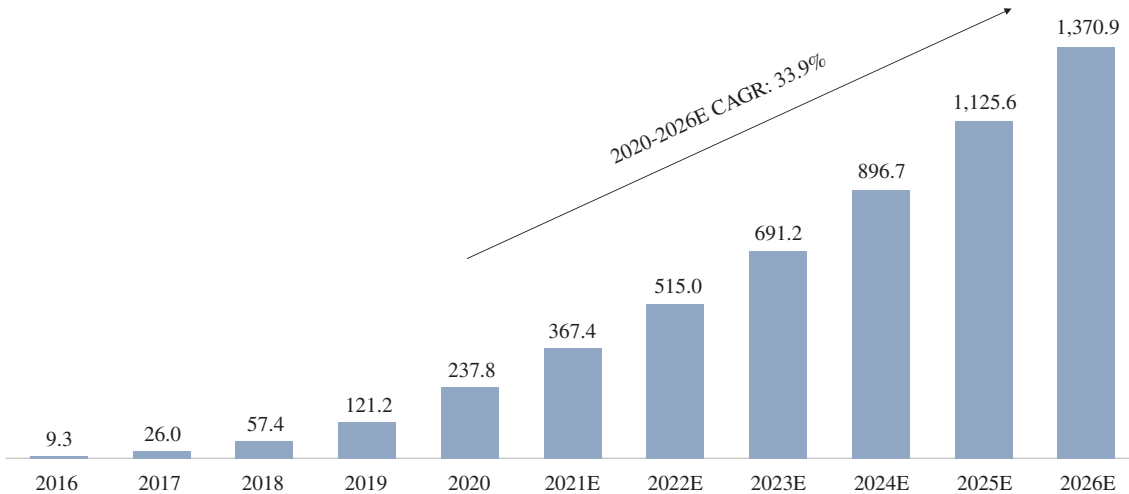
Compared with the U.S. market, where monetization is realized primarily through advertising, China's online content community market features more diversified monetization channels, including online advertising, paid membership, content-commerce solutions, content e-commerce, vocational training, virtual gifting in live streaming, online games, and IP-based monetization.

China's online content communities can be further categorized into comprehensive online content communities and vertical online content communities. Comprehensive online content communities refer to content communities covering news, entertainment content, experience sharing, professional expertise, and knowledge, among others. Vertical online content communities refer to communities that provide content in certain content verticals, such as cosmetics, consumer electronics, and automobiles, among others.

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Market Size of China's Comprehensive Online Content Communities (in terms of revenue) 2016-2026E

RMB in billions



Source: CIC Report

According to CIC, the market size of comprehensive online content communities in China in terms of revenue expanded rapidly from RMB9.3 billion in 2016 to RMB237.8 billion in 2020, and is expected to reach RMB1.4 trillion in 2026, representing a CAGR of 33.9% from 2020, higher than that of the overall online content community market in China. The trend suggests that Chinese users tend to favor one-stop destination for more comprehensive set of content offerings, as oppose to vertical online communities. The diversity of content verticals of comprehensive online content communities enables them to satisfy the diverse needs of a broad user base. Users are able to utilize one app for different scenarios to optimize their experience, which enhances user stickiness.

Among various online content formats, text and image are usually the origination and foundation of content creation providing comprehensive content coverage and flexible content consumption scenarios, while video has become an increasingly popular form of content creation and consumption in China. Leading Q&A-inspired online content communities have rolled out support for video content to a varying extent and have developed utilities to facilitate conversion of text- and image-based Q&As into videos. Among various content products, Q&As by nature invite a high level of user engagement and inspire sharing of knowledge, experience, and insights, and, in particular, video Q&As are more expressive and thus can be distributed more efficiently. Platforms with multiple content forms can cater to diverse user needs, and therefore have better receptivity among users and higher monetization potential.

KEY GROWTH DRIVERS OF CHINA'S ONLINE CONTENT COMMUNITIES

Growing and more engaging user base

China's urbanization rate reached 63.9% in 2020, with a total urban population of 902.0 million, about three times that of the United States. The urbanization rate in China is expected to further increase to 68.9% in 2026, adding 79 million urban population during the period. Continued urbanization and increased mobile penetration are expected to increase internet penetration, and drive user growth for China's online content communities. Moreover, users, especially the younger generation, have evolved from receivers to disseminators of information. They have become increasingly willing to express themselves, interact with other users, and become more engaged while spending time in online content communities. CIC observes that online content communities covering broader and deeper content have a stronger capability to attract users, and comprehensive online content communities with large user base tend to be more attractive online channels for monetization, such as advertising or other commercial solutions.

Booming content supply with enhanced quality

The prevalence of smartphones and advancement of content production tools have facilitated content creation and sharing, reducing the barrier for users to share experience and insights and become content creators. Moreover, users are becoming more active in content creation in online content communities. Besides accumulation of rich UGC, the development of PUGC has also helped enhance content quality and enrich content library in content communities. A broader array of content formats such as text, image, video, and live streaming have emerged within online content communities, satisfying different user needs in different scenarios. Technology advancements in big data and AI also enable the distribution of suitable content to targeted audience. These factors have enabled online content communities to expand the breadth, depth, and quality of their content pools, and to offer a wide range of content verticals to satisfy users' diverse interests and needs for high-quality content.

Strong desire and rising willingness of users to pay for quality content

With the proliferation of online content communities, users are increasingly demanding quality online content and have demonstrated a growing willingness to pay for them. The number of paying users in China's online content communities, or users who pay for any type of products or services such as membership, vocational training, and virtual gifts in online content communities at least once during a year, is expected to increase at a CAGR of 14.1% between 2020 and 2026, which means an increase of 354.2 million extra paying users of online content communities to 648.7 million in 2026. Over 80% of surveyed users are willing to pay more for high-quality online content in the future, according to the CIC Survey.

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Strong needs of merchants and brands to adopt content-based online marketing

As merchants and brands in China become increasingly aware of the growing content consumption, they have strong needs for marketing services to help build a brand narrative that can organically attract customers and drive conversion. A variety of content-based online marketing solutions have thus emerged to meet such demand. Content-based online marketing seamlessly integrates commercial information into the content, allowing it to be more user-focused than traffic-based brand marketing. It creates more active connection between merchants and brands on one hand and users on the other hand, which facilitates the creation of high-quality commercial content leading to better user experience, more efficient user conversion, and greater brand loyalty.

More diversified and effective monetization channels

Alongside development of more diversified content, online content communities' monetization channels have also advanced gradually. Besides online advertising, online content communities are exploring more diversified content-based monetization channels, such as paid membership, content-commerce solutions, content e-commerce, and vocational training. Some innovative monetization channels, such as content-commerce solutions and content e-commerce, provide a suite of utilities that can be natively embedded into the content to achieve more effective customer acquisition and sales conversion. With more diversified and effective monetization channels, online content communities are expected to achieve significant revenue growth.

MONETIZATION OPPORTUNITIES OF CHINA'S ONLINE CONTENT COMMUNITIES

Compared to PGC-focused online content market players, online content communities that are UGC- and PUGC-focused have a higher level of user engagement, providing them an advantage to pursue a wider variety of monetization opportunities, which results in more sustainable business models. Online content communities mainly monetize via online advertising, paid membership, content-commerce solutions, content e-commerce, virtual gifting in live streaming, and online games. As the market matures, other monetization opportunities, such as IP-based monetization and vocational training, also emerge and grow rapidly.

Online Advertising

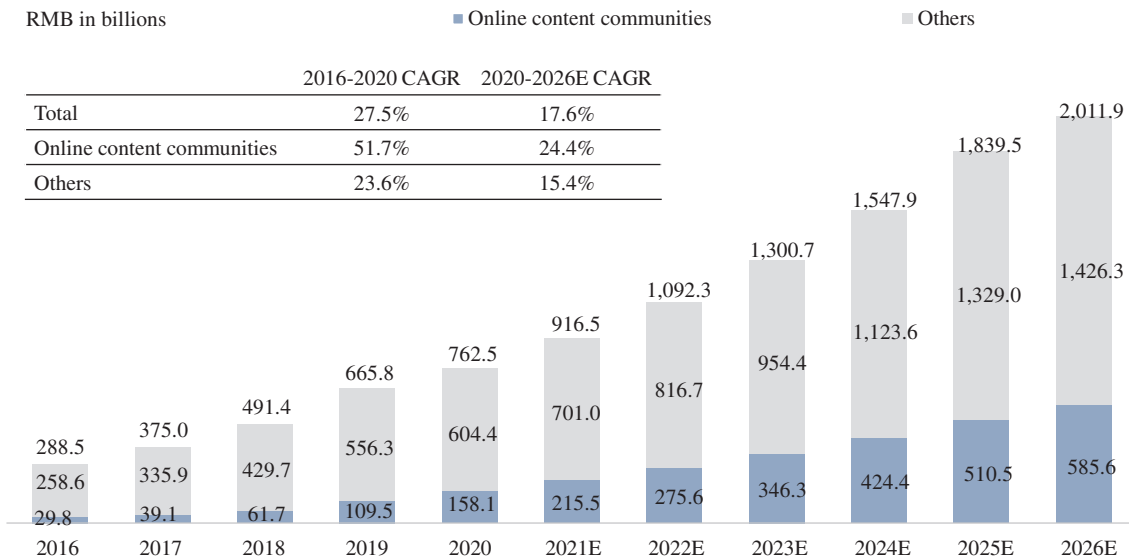
Compared with PGC-focused online content market players, online content communities attract advertisers with their growing, recurring, and quality user traffic, increasing content consumption time share, technology-enabled high marketing efficiency, and innovative advertising formats. Massive user data generated from user engagement, big data, and AI technologies enables more accurate and personalized distribution of advertising content, thereby driving up advertising efficiency and effectiveness.

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As advertisers increasingly value business efficiency and brand building, communities that can better help users obtain insights and convert such insights into actions and decisions will have a competitive edge. Such communities' advantages are well aligned with advertisers' demands in top online advertising verticals such as automobile, real estate, houseware, and fast-moving consumer goods, where products have abundant options and consumers need insights and recommendations to help make decisions.

According to CIC, China's online advertising market size in terms of revenue reached RMB762.5 billion in 2020 and is expected to grow to RMB2.0 trillion in 2026, representing a CAGR of 17.6% from 2020. In this market, online content communities' online advertising revenue reached RMB158.1 billion in 2020 and is expected to increase at a CAGR of 24.4% to RMB585.6 billion in 2026, outgrowing the overall market.

China's Online Advertising Market Size (in terms of revenue), 2016-2026E



Source: CIC Report

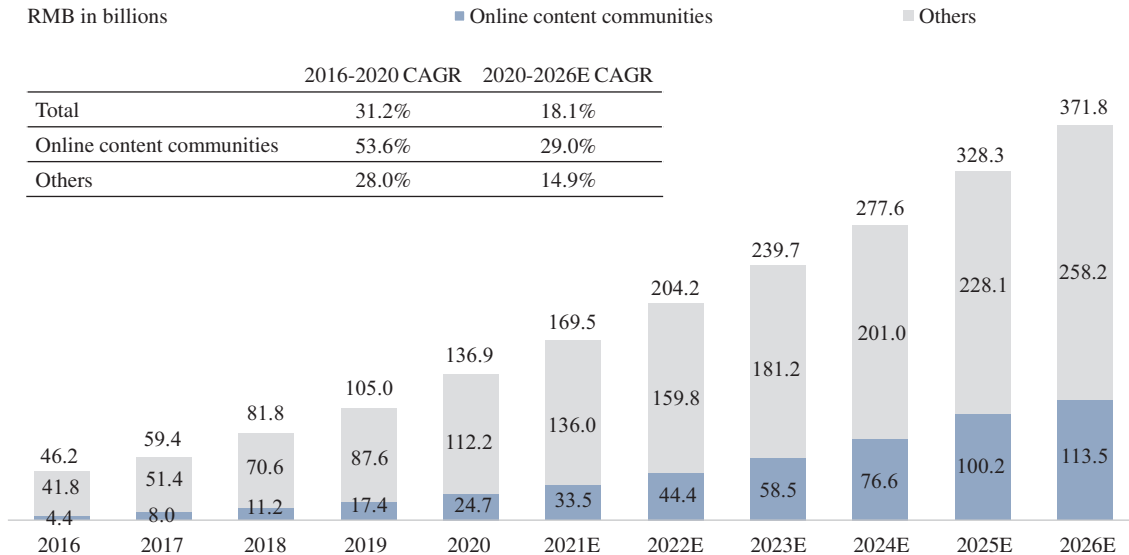
Paid Membership

Online content communities generate revenue through paid membership services as users pay subscription fee to access premium content for a specific period of time or make one-off payment for specific content. The matching of content with users' needs through technology, improving content diversity and quality, higher disposable income, and the increasing recognition of premium content have made users more willing and accustomed to paying for quality content. This is evidenced by the increasing number of paying members as a percentage of the online content community user base from 8.8% in 2016 to 21.3% in 2020, and is expected to reach 35.8% in 2026. According to CIC, China's paid membership market size in terms of revenue reached RMB136.9 billion in 2020 and is expected to grow to RMB371.8 billion in 2026, representing a CAGR of 18.1% from 2020. In this market, online content communities' paid membership revenue reached RMB24.7 billion in 2020 and is expected to

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increase at a CAGR of 29.0% to RMB113.5 billion in 2026, outgrowing the overall market. According to CIC, within China’s paid membership market, online content communities are expected to outgrow other online content market players due to higher potential of membership penetration and lower content cost to ramp up paid membership.

China’s Paid Membership Market Size (in terms of revenue), 2016-2026E



Source: CIC Report

Content-Commerce Solutions

Online content communities have a distinctive ability to offer highly-relatable content to users. Online content communities have thus become destinations for users to learn, interact, and make decisions. Following such user behavior, merchants and brands would carry out marketing activities based on the suitable type of content. In recent years, there are noticeable trends of merchants and brands increasingly shifting from traditional traffic-based marketing to content-based marketing, due to its higher effectiveness and lower cost.

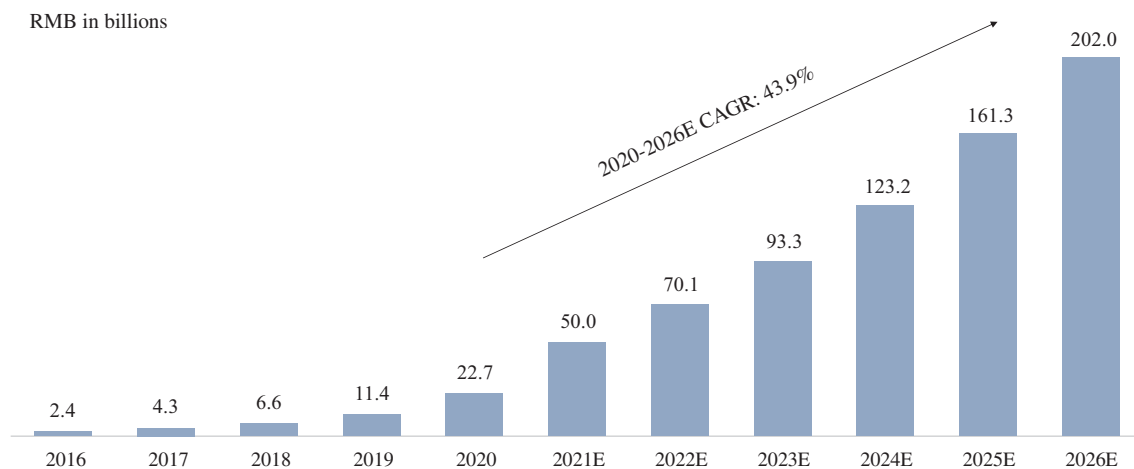
To satisfy merchants’ and brands’ needs for effective marketing solutions, online content communities provide content-commerce solutions for content creation, content distribution, and content conversion. Content-commerce solutions are highly efficient online marketing solutions that are seamlessly integrated into regular content operations and have high commercial values. Owing to the UGC or PUGC nature, content-commerce solutions can build brands, enhance commercial effectiveness, and strengthen their connections with users, without compromising user experience.

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The accumulation of rich content pool, combined with deep understanding of users' and client's needs, result in more efficient match of content and user demands, making comprehensive content communities best positioned and most efficient in providing content-commerce solutions. As a top comprehensive content community in China, Zhihu was the first among industry peers to launch integrated content-commerce solutions, according to CIC, providing merchants and brands one-stop services for all their sales and marketing needs, from making marketing plans, facilitating content creation, connecting merchants and brands with content creators, assigning the most relevant content creators, to distributing to the appropriate users.

According to CIC, with introduction of solutions provided by leading online content communities and increasing adoption by merchants and brands, China's content-commerce solution market size in terms of revenue generated from online content communities is expected to grow from RMB22.7 billion in 2020 to RMB202.0 billion in 2026 at a CAGR of 43.9%.

China's Content-Commerce Solution Market Size (in terms of revenue), 2016-2026E



Source: CIC Report

Content E-Commerce

Content e-commerce refers to the e-commerce business within online content communities. There is an increasing demand for trusted information and advice from online content communities to help consumers decide among abundant online shopping options.

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Content e-commerce in China has various models. An online content community may direct traffic externally to third-party e-commerce platforms and earn commissions based on a pre-agreed percentage of GMV generated thereon. It may also adopt closed-loop e-commerce operations and enable users to complete the whole transaction process within the community. Some leading online content communities may also sell private label products with lower cost by eliminating channel intermediaries.

Content e-commerce in China has evolved into diverse forms. Through online content communities, merchants and brands may market and promote products and services through live streaming leveraging its real-time, irresistible impulse. They may also embed actionable utilities in appropriate content such as Q&As (which may include text, image, video, or a combination thereof) to introduce and recommend products and services to consumers. Compared with other forms of content e-commerce, Q&As usually attract users with specific consumption demand and thus are more likely consumed by such users, which renders Q&As an efficient way to capitalize on users' actionable intent.

The GMV of China's content e-commerce market, including both GMV generated from online content communities and transactions directed from online content communities to other platforms, reached RMB780.3 billion in 2020 and is expected to grow at a CAGR of 38.6% to reach RMB5.5 trillion in 2026. In comparison, the expected CAGR from 2020 to 2026 for the overall e-commerce market is only 13.0%.

Vocational Training

Vocational education in China is a career and technical education that prepares people to work as a technician, tradesperson, or artisan. It is bifurcated into diploma-based vocational education (which includes secondary and higher vocational education) and nondiploma-based vocational education (which includes vocational training, recruitment and qualification exam preparation, and corporate training).

Vocational training refers to practical training programs focusing on acquisition of specific skills for employment or self-improvement in a craft or trade, such as information technology training and finance and accounting training. Some leading online content communities used to attract training service providers to market or sell their programs and courses on their platforms. Currently, leveraging the rich content library and large user base, these online content communities have also launched self-developed training courses to achieve closed-loop monetization.

The employment market in China currently has witnessed an increasing demand for workers with relevant skillset to support rapid economic growth and industrial upgrades. However, as aging population becomes an apparent trend, the working-age population is expected to continue decreasing from 879 million in 2020 to 868 million in 2026, creating the shortage of workforce, especially skilled and technical workers. According to the PRC Ministry of Human Resources and Social Security, the demand-to-supply ratio of job vacancy available to job seekers in the public labor market showed an upward trend since 2010, and such ratio

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for skilled workers is even higher, indicating an increasing shortage of skilled worker supply. The PRC government has promulgated a series of stimulus regulations and policies to promote quality vocational trainings to help bridge the gap in supply and demand of skilled workers, including (i) incentivizing leading companies and other stakeholders in various industries to expand the supply of vocational training leveraging information technologies and modern training methods, (ii) providing financial aid to and expanding matriculation of students for vocational education, and (iii) systematically strengthening the importance of diplomas and qualifications in vocational education.

The ongoing mismatch of talent supply and demand and supportive government policies are expected to create massive market opportunities for vocational training service providers. Meanwhile, there is an increasing demand for education and knowledge as well as receptivity to obtain such content online. As a result, China's vocational training market size in terms of revenue increased rapidly from RMB111.3 billion in 2016 to RMB185.3 billion in 2020, and is expected to further reach RMB534.6 billion in 2026, representing a CAGR of 19.3% from 2020.

IP-Based Monetization

Driven by growing consumption power, expanding fan base of content IPs, standardization of copyright regulations, and increasingly mature monetization of IP adaption, China's IP-based monetization market size in terms of sales grew from RMB234.7 billion in 2016 to RMB461.7 billion in 2020, and is expected to reach RMB1.0 trillion in 2026, representing a CAGR of 13.8% from 2020.

Virtual Gifting in Live Streaming

Virtual gifts are purchased by live streaming users to show their support for live streamers in online content communities. With live streaming growing as one of important content forms in online content communities, the market size of China's virtual gifting in live streaming in terms of revenue is expected to increase from RMB169.5 billion in 2020 to RMB510.1 billion in 2026 at a CAGR of 20.2%.

Online Games

China is the largest online gaming market in the world, with the total gross billings expected to increase from RMB339.7 billion in 2020 to RMB628.2 billion in 2026, representing a CAGR of 10.8%. Some online content communities have started to monetize their large traffic of game fans by offering publishing service for game developers, or launching self-developed games. The revenue of China's online content communities from online games reached RMB7.2 billion in 2020 and is expected to grow to RMB27.8 billion in 2026, representing a CAGR of 25.2%.

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COMPETITIVE LANDSCAPE OF CHINA'S ONLINE CONTENT COMMUNITIES

Online content communities compete to attract, engage, and retain users, content creators and merchants and brands, in a variety of ways, such as providing better content, fulfilling evolving user needs, providing content creation utilities, and conducting brand promotions and other marketing activities. In particular, the fast-growing comprehensive online content communities satisfy the diverse needs of a broad user base for different scenarios in one app. Zhihu is one of the top five comprehensive online content communities in China, in terms of average mobile MAUs and revenue in 2019, 2020, and 2021, according to CIC.

Top Five China's Comprehensive Online Content Communities¹

Community ²	Average Mobile MAUs			Revenue		
	2019	2020	2021	2019	2020	2021
	(in millions)			(RMB in billions)		
Community A	474.7	527.4	634.0	N/A	N/A	N/A
Community B	330.4	481.1	544.2	39.1	58.8	81.1
Community C	461.5 ³	494.7 ³	528.3 ³	12.2	11.7	14.6
Community D	103.8	169.8	232.8	6.8	12.0	19.4
Zhihu	44.3	64.2	92.4	0.7	1.4	3.0

Source: CIC Report

Notes:

- (1) In terms of average mobile MAUs in 2019, 2020, and 2021.
- (2) Community A is a comprehensive online content community that hosts a variety of short-form videos. Launched in 2016, it is owned by a private company headquartered in Beijing, China. As Community A is privately owned, and CIC is unable to reliably estimate its financial information, including its revenue. Community B is a comprehensive online content community that hosts a variety of short-form videos. Launched in 2011, it is owned by a Hong Kong-listed company headquartered in Beijing, China. Community C is a comprehensive online content community that combines the means of public self-expression in real time with a platform for social interaction, content aggregation, and content distribution. Launched in 2009, it is owned by a U.S.- and Hong Kong-listed company headquartered in Beijing, China. Community D is a comprehensive online content community that hosts videos on various themes. Launched in 2009, it is owned by a U.S.- and Hong Kong-listed company headquartered in Shanghai, China.
- (3) Represents average mobile MAUs in March, June, September, and December of 2019, 2020, and 2021, respectively.

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Among various content products, Q&As by nature invite a high level of user engagements and inspire sharing of knowledge, experience, and insights. Q&A-inspired online communities refer to those online content communities whose major content forms or products are Q&As, and Zhihu is the largest Q&A-inspired online content community in China in terms of average mobile MAUs and revenue in 2019, 2020, and 2021, according to CIC.

Top Five China's Q&A-inspired Online Content Communities¹

Community ²	Average Mobile MAUs			Revenue		
	2019	2020	2021	2019	2020	2021
	(in millions)			(RMB in billions)		
Zhihu	44.3	64.2	92.4	0.7	1.4	3.0
Community E	2.2 ³	1.3 ³	0.7 ³	~0.1	~0.2	~0.3
Community F	0.2	0.2	N/A ⁴	<0.1	<0.1	<0.1
Community G		N/A ⁵		<0.1	<0.1	<0.1
Community H		N/A ⁵		<0.1	<0.1	<0.1

Source: CIC Report

Notes:

- (1) In terms of revenue in 2019, 2020, and 2021.
- (2) Community E is a Q&A-inspired online content community launched in 2005. It is owned by a U.S.- and Hong Kong-listed company headquartered in Beijing, China.
Community F is a Q&A-inspired online content community launched in 2017. It is owned by a private company headquartered in Beijing, China.
Community G is a Q&A-inspired online content community launched in 2004. It is owned by a private company headquartered in Shenzhen, China.
Community H is a Q&A-inspired online content community launched in 2016. It is owned by a U.S.- and Hong Kong-listed company headquartered in Beijing, China.
- (3) Average mobile MAUs of the standalone mobile app.
- (4) Not applicable because its mobile app was taken down in February 2021.
- (5) Not applicable due to lack of standalone mobile app.

REGULATIONS

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our shareholders to receive dividends and other distributions from us.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

Licenses for Value-added Telecommunications Services

The PRC Telecommunications Regulations (《中華人民共和國電信條例》), promulgated by the State Council on September 25, 2000 and last amended with immediate effect on February 6, 2016, provides the regulatory framework for telecommunications service providers in China. The PRC Telecommunications Regulations classify telecommunications services into basic telecommunications services and value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services. According to the Catalog of Telecommunications Services (《電信業務分類目錄》), attached to the PRC Telecommunications Regulations and last amended by the PRC Ministry of Industry and Information Technology, or the MIIT, on June 6, 2019, information services provided via public communication network or the internet are value-added telecommunications services.

As a subcategory of the value-added telecommunications services, internet information services are regulated by the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), or the Internet Measures, which was promulgated by the State Council on September 25, 2000 and last amended with immediate effect on January 8, 2011. Internet information services are defined as “services that provide information to online users through the internet.” The Internet Measures classifies internet information services into non-commercial internet information services and commercial internet information services. Commercial internet information service providers must obtain an ICP License (增值電信業務經營許可證) from appropriate telecommunications authorities. An ICP License has a term of five years and can be renewed within 90 days prior to its expiration, according to the Administrative Measures for Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 1, 2009, last amended on July 3, 2017, and became effective on September 1, 2017.

Restrictions on Foreign Investment in Value-Added Telecommunications Services

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), promulgated by the State Council on December 11, 2001 and last amended with immediate effect on February 6, 2016, requires foreign-invested value-added telecommunications enterprises in China to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interest of such an enterprise. In addition, the main foreign investor who invests in such an

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enterprise shall demonstrate a good track record and experience in such industry. Moreover, the joint ventures must obtain approvals from the MIIT and the Ministry of Commerce or their authorized local counterparts, before launching the value-added telecommunications business in China.

The Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List, was promulgated by the NDRC and the Ministry of Commerce jointly on December 27, 2021 and effective on January 1, 2022. According to the 2021 Negative List, the proportion of foreign investments in an entity engaging in value-added telecommunications business (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centers) shall not exceed 50%.

Pursuant to the Ministry of Information Industry's Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), issued by the Ministry of Information Industry, the predecessor of the MIIT, on July 13, 2006, domestic value-added telecommunications enterprises were prohibited to rent, transfer, or sell licenses for value-added telecommunications services to foreign investors in any form, or provide any resources, premises, facilities, or other assistance in any form to foreign investors for their illegal operation of any value-added telecommunications business in China.

REGULATIONS ON INTERNET CONTENT SERVICES

The PRC government authorities have adopted regulations governing illegal content and information over the internet. The PRC government authorities strengthen the regulations on internet content from time to time to, among others, maintain the security of internet operations and internet content (see “– Regulations Relating to Information Security”) and manage specific categories of internet content such as internet audio-visual programs (see “– Regulations Relating to Internet Audio-Visual Program Services”).

On August 25, 2017, the CAC promulgated the Administrative Provisions on Internet Follow-up Comment Services (《互聯網跟帖評論服務管理規定》), which took effect on October 1, 2017. It requires internet follow-up comment service providers to, among others, verify the identity information of the registered users, establish and improve a user information protection system, and establish and improve an internet follow-up comment review and administration system, a real-time inspection system, and emergency responses.

On August 25, 2017, the CAC promulgated the Administrative Provisions on Internet Forum and Community Services (《互聯網論壇社區服務管理規定》), which took effect on October 1, 2017. It requires internet forum and community service providers to, among others, assume principal responsibility to establish and improve an information review system, a

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real-time inspection system on public information, emergency responses, and personal information protection system as well as other information security administration systems, institute preventative measures, and be equipped with professionals suitable for the scale of its services.

On September 7, 2017, the CAC promulgated the Administrative Provisions on the Information Services Provided Through Public Accounts of Internet Users (《互聯網用戶公眾賬號信息服務管理規定》), which was last amended on January 22, 2021 and took effect on February 22, 2021. It requires information service platforms for public accounts to, among others, establish and improve a management system for user registration, information content security, content ecology, data security, personal information protection, intellectual property protection, and credit assessment, and establish a monitoring and evaluation mechanism for public accounts to prevent data falsification on account subscriptions and interaction counts.

On December 15, 2019, the CAC promulgated the Provisions on the Ecological Governance of Internet Information Content (《網絡信息內容生態治理規定》), which took effect on March 1, 2020 and specifies the content scopes that are encouraged, prohibited, or prevented from producing, reproducing, and publishing. The internet information content producers must take measures to prevent and resist the production of content that, among others, uses exaggerated titles that are inconsistent with the content, may incite racism or discrimination against geographic region, and propagates scandals. The internet information content service platforms must fulfill the main responsibility of content management, establish an ecological governance mechanism of the internet information, and improve system for user registration, account management, information publishing review, and emergency response. The internet information content service users, internet information content producers, and internet information content service platforms cannot, through manual or technical means, conduct acts that destroy the internet ecosystem.

REGULATIONS RELATING TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

In addition to the PRC Telecommunications Regulations and other regulations above, mobile internet applications, or Apps, are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), which was promulgated by the CAC on June 28, 2016, and became effective on August 1, 2016. The provisions set forth the relevant requirements on the App information service providers and the App Store service providers. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local App information respectively.

App providers shall strictly fulfill their responsibilities of information security management, and perform the following duties: (i) in accordance with the principles of “real name at background, any name at foreground,” verify identities with the registered users through mobile phone numbers and other measures; (ii) establish and improve the mechanism for user information security protection, follow the principles of “legality, appropriateness, and

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necessity” in collection and use of personal information, expressly state the purpose, methods, and scope of information collection, and obtain the users’ consent; (iii) establish and improve the verification and management mechanism for the information content; adopt proper penalties and measures such as warning, limiting functions, suspending updates, and closing accounts, for releasing illegal information content, as appropriate; keep records and report to the competent department; (iv) according to the law, protect and safeguard users’ “rights to know and rights to choose” during installation or use; do not turn on the functions of collecting geographic location, reading address books, or using cameras or recordings, without expressing statement to the users and the consent of the users; do not turn on functions irrelevant to the services; and do not tie up and install irrelevant Apps; (v) respect and protect intellectual property rights; do not produce or release Apps which violate others’ intellectual property rights; and (vi) keep records of user log information for 60 days.

REGULATIONS RELATING TO INTERNET CULTURE ACTIVITIES

Internet audio-visual program services are categorized as internet culture business. The Interim Administrative Provisions on Internet Culture (《互聯網文化管理暫行規定》), or the Internet Culture Provisions, promulgated by the Ministry of Culture on May 10, 2003, and last amended with immediate effect on December 15, 2017, provides that internet culture activities are classified into non-commercial internet cultural activities and commercial internet cultural entities. Under the Internet Culture Provisions, internet culture activities include: (i) the production, reproduction, importation, distribution, or streaming of internet culture products (such as online music, online game, online program, online series, online performance, online cartoon, etc.); (ii) the dissemination of culture products via internet; and (iii) the exhibitions, competitions, and other similar activities concerning internet culture products. To conduct commercial internet culture activities, the ICB License (網絡文化經營許可證) is a prerequisite.

On April 13, 2005, the State Council promulgated Decisions on the Entry of the Non-state-owned Capital into the Cultural Industry (《關於非公有資本進入文化產業的若干決定》). On July 6, 2005, five PRC regulatory agencies, namely, the Ministry of Culture, State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publications, or the GAPP, the NDRC, and the Ministry of Commerce, jointly adopted Opinions on Introducing Foreign Investments to the Cultural Sector (《關於文化領域引進外資的若干意見》). According to these regulations, non-state-owned capital and foreign investors are generally not allowed to conduct the business of transmitting audio-visual programs via information network. In addition, internet cultural business (except for music) remains a prohibited area for foreign investment on the 2021 Negative List.

The Administrative Measures for Content Self-review by Internet Culture Business Entities (《網絡文化經營單位內容自審管理辦法》), which were promulgated by the Ministry of Culture on August 12, 2013, and took effect on December 1, 2013, require internet culture business entities to review the content of culture products and services before providing them

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to the public. The content management system required to be established by an internet culture business entity shall specify the responsibilities, standards and processes for content review as well as accountability measures, and be filed with the local provincial branch of the Ministry of Culture.

REGULATIONS RELATING TO INTERNET AUDIO-VISUAL PROGRAM SERVICES

According to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》), or the Audio-Visual Regulations, promulgated by the SARFT and the Ministry of Information Industry on December 20, 2007, as amended on August 28, 2015, internet audio-visual program service refers to activities of making, editing, and integrating audio-visual programs, providing them to the general public via internet, and providing such services to other people by uploading. An internet audio-visual program service provider must obtain an Audio-Visual Permit (信息網絡傳播視聽節目許可證) issued by the SARFT or complete certain registration procedures with the SARFT. On March 30, 2009, the SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs (《關於加強互聯網視聽節目內容管理的通知》), which reiterates the pre-approval requirements for the internet audio-visual programs, including those on mobile network (if applicable), and prohibits internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition, or other prohibited elements. The State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT, issued the Supplemental Notice on Improving the Administration of Online Audio-visual Content Including Internet Drama and Micro Films (《關於進一步完善網絡劇、微電影等網絡視聽節目管理的補充通知》) on January 2, 2014. This notice emphasizes that entities producing online audio-visual content, such as internet drama and micro films, must obtain a Radio and Television Program Production and Operation License (廣播電視節目製作經營許可證), and that online audio-visual content service providers cannot release any internet drama or micro films that were produced by any entity lacking such license. For internet drama or micro films produced and uploaded by individual users, the online audio-visual service providers transmitting such content will be deemed responsible as a producer. Further, under this notice, online audio-visual service providers can only transmit content uploaded by individuals whose identity has been verified and such content shall comply with the relevant content management rules. This notice also requires that online audio-visual content, including internet drama and micro films, to be filed with the relevant authorities before release.

Pursuant to the Audio-Visual Regulations, providers of internet audio-visual program services are generally required to be either state-owned or state-controlled. According to the Official Answers to Press Questions Regarding the Audio-Visual Regulations (《就〈互聯網視聽節目服務管理規定〉答記者問》) published on the SARFT's website on February 3, 2008, the SARFT and Ministry of Information Industry clarified that providers of internet audio-visual program services who had legally engaged in such services prior to the adoption of the Audio-visual Regulations are eligible to re-register their businesses and continue their

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operations of internet audio-visual program services so long as those providers have not been in violation of the laws and regulations. This exemption will not be granted to internet audio-visual program service providers established after the adoption of the Audio-Visual Regulations.

These policies have later been reflected in the Notice on Relevant Issues Concerning Application and Approval of Audio-Visual Permit (《關於做好<信息網絡傳播視聽節目許可證>申報審核工作有關問題的通知》), issued by SARFT on April 8, 2008 and amended on August 28, 2015.

In March 2018, the SAPPFRFT issued the Notice on Further Regulating the Transmission Order of Internet Audio-visual Programs (《關於進一步規範網絡視聽節目傳播秩序的通知》), which requires that, among others, audio-visual platforms shall: (i) not produce or transmit programs intended to parody or denigrate classic works, (ii) not re-edit, re-dub, re-capture or otherwise ridicule classic works, radio and television programs, or original internet audio-visual programs without authorization, (iii) not transmit re-edited programs which unfairly distort the original content, (iv) strictly monitor the adapted content uploaded by platform users and not provide transmission channels for illicit content, (v) immediately take down unauthorized content upon receipt of complaints from copyright owners, radio and television stations, or film and television production institutions, (vi) strengthen the administration of movie trailers and prevent improper broadcasting of movie clips and trailers prior to authorized release, and (vii) strengthen the administration of sponsorship and endorsement for internet audio-visual programs. Pursuant to this notice, the provincial branches of SAPPFRFT shall have the authority to supervise radio and television stations and websites that offer audio-visual programs within its jurisdiction and require them to further improve their content management systems and implement relevant management requirements.

According to the Administrative Provisions on Online Audio-Visual Information Services (《網絡音視頻信息服務管理規定》), promulgated jointly by the CAC, the PRC Ministry of Culture and Tourism, or the MCT, and the NRTA on November 18, 2019, and came into effect on January 1, 2020, online audio-visual information service providers shall authenticate user's real identity information based on organization code, identity card number, mobile phone number, etc. Online audio-visual information service providers shall not serve users who fail to provide their real identity information. Online audio-visual information service providers are the principals responsible for information content security management, and should, among other things, establish and improve their internal policies in relation to user registration, scrutiny of information publication, and information safety management. Organizations and individuals are prohibited from using online audio-visual information services and related information technology to carry out illegal activities and infringe legal rights and interests of others. Online audio-visual information service providers shall strengthen the management of the audio-visual information posted by users, deploy and apply identification technologies for illegal and non-real audio and video; if any user is found to produce, post or disseminate

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content prohibited by laws or regulations, the transmission of such information shall be ceased, and disposal measures such as deletion shall be taken to prevent the information from spreading, and such service providers shall save relevant records, and report to the CAC, the MCT, the NRTA, etc.

Under the Regulations on the Administration of Production of Radio and Television Programs (《廣播電視節目製作經營管理規定》), promulgated by the SARFT on July 19, 2004, and amended on October 29, 2020, any entities that engage in the production of radio and television programs are required to apply for a license from the SARFT or its local level counterparts. Entities with the Radio and Television Program Production and Operation License must conduct their operations strictly within the approved scope of production and operation. Except for radio and television broadcasting institutions, the above-mentioned permit holders shall not produce radio and television programs concerning current political news or special topics, columns and other programs of the same kind.

On January 9, 2019, the China Net-casting Services Association, or the CNSA, issued the Regulations on Administration of Network Short Video Platforms (《網絡短視頻平臺管理規範》), pursuant to which a network platform is required to obtain the Audio-Visual Permit and relevant qualifications to provide short video services, and to strictly operate within the scope of such permit. The network short video platform is required to establish a chief-editor content management and responsibility system, and all content of a short video, including but not limited to its title, description, bullet-chats and comments shall be reviewed in advance before the content is broadcasted. Furthermore, the number of content reviewers a platform is required to host should, in principle, be more than one-thousandth of the number of short videos newly broadcasted on the platform per day. The content reviewers are expected to have high political awareness and professionalism. On the same day, CNSA issued the Censoring Criteria for Network Short Video Content (《網絡短視頻內容審核標準細則》), which set forth certain details of content prohibited to be broadcasted, such as violence, pornography, gambling, terrorism, and other illegal or immoral content.

REGULATIONS RELATING TO PUBLICATION

Restriction on Internet Publication

According to the Opinions on Introducing Foreign Investments to the Cultural Sector, foreign investors are prohibited from engaging in businesses such as internet publication and offline publication.

Pursuant to the Internet Measures, any engagement in internet information services related to publication, prior to applying for an operation permit or going through the record-filing formalities, are subject to the examination and consent of the relevant competent authorities as required by the laws, administrative regulations, and other relevant provisions. Pursuant to the Administrative Measures for Internet Publication Services (《網絡出版服務管理規定》), which were jointly promulgated by the SAPPRFT and the MIIT on February 4, 2016 and became effective on March 10, 2016, the entities providing internet publication services

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shall adopt a system of responsibility for examination of the content of publications, an editor responsibility system, a proofreader responsibility system, and other management systems to ensure the quality of its web publications. The SAPPRFT and its local branches are responsible for the prior approval, supervision, and administration of the internet publication services nationwide, and any internet publication service and internet publication item, or publication of internet publication item is required to obtain an internet publishing service license. Pursuant to the Administrative Measures for Internet Publication Services, Sino-foreign equity joint ventures, Sino-foreign cooperative ventures, and foreign-invested entities cannot engage in internet publication services.

The Administrative Measures for Internet Publication Services stipulate precise conditions for entities (except book, audio-visual, electronic, newspaper, and periodical publishers) engaging in internet publication services to meet, including: (i) have definite website domains, intelligent terminal applications and other publishing platforms for engaging in online publishing business; (ii) have a definite scope of internet publication services; (iii) have technical equipment necessary for engaging in internet publication services, provided that the relevant servers and storage devices must be located within the PRC territory; (iv) have the name and the articles of association for the online publishing service provider, and the name is definite and different from any of those of other publishers; (v) have a legal representative and main responsible person in compliance with the relevant requirements, which means that the legal representative must be a Chinese citizen with full civil capacity and permanently residing in the PRC territory, and that either the legal representative or the main responsible person should have vocational qualifications for technicians engaged in the profession of publishing at or above the intermediate level; (vi) in addition to the legal representative and the main responsible person, have at least eight full-time editorial and publishing employees having technical and vocational qualifications for the profession of publishing and other related professions as approved by the SAPPRFT that can meet the needs within the scope of online publishing services, of which there are at least three employees with professional qualifications at or above the intermediate level; (vii) have a content review system required for engaging in online publishing services; (viii) have a fixed work place; and (ix) other conditions as provided by laws, administrative regulations, and the SAPPRFT. The entities providing internet publication services implement a system of special management shares.

If any entity arbitrarily engages in internet publication services or arbitrarily launches online games (including online games authorized by foreign copyright owners) without approval, it might be banned by the competent publication administrative department and the administrative department for industry and commerce with statutory authority and a fine up to ten times the illegal operating income may be imposed.

In addition, based on the Administrative Measures for Internet Publication Services, an annual verification system shall apply to internet publishing service providers and shall be carried out once every year. The competent administrative departments for SAPPRFT should carry out the annual verification of internet publishing service providers within their respective administrative regions and report relevant information to the SAPPRFT.

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Pursuant to the Administrative Regulations on Publishing (2020 Revised) (《出版管理條例》(2020修訂)) promulgated by the State Council on November 29, 2020, organizations and individually owned businesses engaging in distribution of publications through information network such as the internet shall obtain a Publication Operation License pursuant to the provisions of these regulations.

Restriction on Offline Distribution

The Administrative Provisions on the Publication Market (《出版物市場管理規定》) were jointly issued by the SAPPRFT and Ministry of Commerce on May 31, 2016 and became effective on June 1, 2016. The provisions regulate the activities of publication distribution, including publication wholesale or retail activities, which shall be carried with the Publication Operation License. Without licensing, such entity or individual may be ordered to cease illegal acts by the competent administrative department of publication, be given a warning, and be concurrently subject to a fine.

On June 28, 2012, the GAPP promulgated the Implementing Rules of the General Administration of Press and Publication for Supporting Private Capital's Participation in Publishing Operation Activities (《支持民間資本參與出版經營活動的實施細則》), pursuant to which, the GAPP, among other things, (i) continuously supports private capital to invest in the establishment of enterprises of publication issuance, wholesale, retailing, and chain operation to engage in the issuance and operation activities of publication products, such as books, newspaper, periodicals, video and audio products, and electronic publications; and (ii) continuously supports private capital to invest in the establishment of internet digital publishing enterprises, including online game publishing, mobile publishing, e-book publishing, and content software development to engage in publishing and operation activities.

REGULATIONS RELATING TO PRIVATE EDUCATION

The PRC Education Law

The PRC Education Law (《中華人民共和國教育法》), which was promulgated by the PRC National People's Congress on March 18, 1995, last amended on April 29, 2021 and effective on April 30, 2021, sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising pre-school education, elementary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The PRC Education Law stipulates that the state formulates plans for education development, establishes and operates schools and other educational institutions, and in principle, enterprises, institutions, social organizations and individuals are encouraged to operate schools and other educational institutions in accordance with PRC laws and regulations. Other than those sponsored wholly or partially by governmental funds or donated assets, schools or other educational institutions may be established for profit-making purposes.

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The Law for Promoting Private Education of the PRC and Its Implementation Rules

The principal laws and regulations governing the private education industry in China are the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), promulgated by the Standing Committee of the National People's Congress, or the SCNPC, on December 28, 2002, last amended and became effective on December 29, 2018, and the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》), promulgated by the State Council on March 5, 2004, last amended on April 7 and became effective on September 1, 2021, or collectively, the Private Education Law and Implementation Rules. Under the Private Education Law and Implementation Rules, “private schools” are schools established by non-governmental organizations or individuals using non-government funds. Private schools providing certifications, pre-school education, self-study aid and other academic education are subject to approval by the education authorities, while private schools engaging in vocational qualification training and vocational skill training are subject to approval by the authorities in charge of labor and social welfare. Private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education that are of a special nature. In addition, online education activities using internet technology are encouraged by the regulatory authorities and shall comply with laws and regulations related to internet management. A private school engaging in online education activities using internet technology shall obtain the relevant operating permit. It shall also establish and implement internet security management systems and take technical security measures. Upon discovery of any information whose release or transmission is prohibited by applicable laws or regulations, the private school shall immediately cease the transmission of that information and take further remedial actions, such as deleting that information, to prevent it from spreading. Records pertaining to the situation shall be kept and reported to the appropriate authorities.

On December 29, 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》), which calls for the ease of access to the operation of private schools and encourage social forces to enter into the education industry. The opinions also provide that each level of the government shall increase their support to the private schools in terms of financial investment, financial support, autonomy policies, preferential tax treatments, land policies, fee policies, autonomy operation, protection of the rights of teachers and students etc. Further, the opinions require each level of the government to improve local policies on government support to for-profit and non-profit private schools by such means as preferential tax treatments.

Regulations on Online Education

On September 19, 2019, the Ministry of Education jointly with certain other PRC government authorities issued the Guidance Opinions on Promoting the Healthy Development of Online Education (《關於促進在線教育健康發展的指導意見》), which provides, among

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others, that (i) social forces are encouraged to establish online education institutions, develop online education resources, and provide high quality educational services; and (ii) an online education negative list shall be promulgated and industries not included in the negative list are open for all types of entities to enter into. Moreover, the Ministry of Education jointly with certain other PRC government authorities promulgated the Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Apps (《關於引導規範教育移動互聯網應用有序健康發展的意見》) on August 10, 2019, which requires, among others, mobile apps that provide services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students or parents as the main users, and with education or learning as the main application scenarios, be filed with competent provincial regulatory authorities for education.

Regulations on Vocational Education

The Vocational Education Law of the PRC (《中華人民共和國職業教育法》), promulgated by the SCNPC on May 15, 1996 and became effective on September 1, 1996, applies to vocational schools of all types and levels and vocational training of to all forms. According to the Vocational Education Law of the PRC, the State encourages institutional organizations, social organizations and other social groups and individuals to operate vocational schools and vocational training institutions according to relevant provisions of the State. The law divides vocational school education into elementary, secondary and higher vocational education. The elementary and secondary vocational school education shall be conducted respectively by elementary and secondary vocational schools. Higher vocational school education shall be conducted by higher vocational schools or by common institutions of higher learning in accordance with the actual needs and conditions. Other schools may implement vocational school education at corresponding levels in accordance with overall planning by the education administrative department. Vocational training includes pre-employment training, training to facilitate change of occupations, apprenticeship training, on-the-job training, job-transfer training and other vocational training. All these categories of training may be divided into elementary, secondary and higher level of vocational training in light of actual conditions. Vocational training is carried out by the corresponding vocational training institutions and/or vocational schools. Other schools or educational institutions may, depending on their own capabilities, carry out various forms of vocational training to meet social needs.

The government authorities have issued various rules and regulations in recent years regarding the reform and promotion of vocational education. For example, the Opinions of the State Council on the Implementation of Lifetime Vocational Skills Training System (《國務院關於推行終身職業技能培訓制度的意見》) issued on May 3, 2018 proposes, among others, to improve the policy of lifelong vocational skills training for all workers in urban and rural areas from the beginning of labor preparation to the realization of employment and entrepreneurship and throughout the whole process of learning and career. The Notice of the State Council on Promulgation of the Implementation Plan for National Vocational Education Reform (《國務院關於印發國家職業教育改革實施方案的通知》) issued on January 24, 2019 provides, among others, that vocational education is as important as general education, and shall be put in a

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more prominent position in the reform and innovation of education and economic and social development of China. All sectors of the society, especially enterprises, are encouraged and supported to actively support vocational education and focus on cultivating high-quality workers and technical and skilled personnel. The Notice on the Implementation of Vocational skills-Upgrading Action “Internet + Vocational Skills Training Plan” (《關於實施職業技能提升行動“互聯網+職業技能培訓計劃的通知”》) issued on February 17, 2020 proposes, among others, to vigorously carry out online vocational skills training by innovating training methods, making full use of channels such as websites and mobile applications, and expanding the coverage of online vocational skills training, as well as to enrich the resources of online training courses by actively procuring technical colleges, enterprises and social training institutions to develop online training courses, grant access to online training resources, and cooperate with online training platforms to carry out online training. The Draft Revision of the Vocational Education Law of the PRC (Second Review Draft) (《中華人民共和國職業教育法(修訂草案)(二次審議稿)》) published on December 24, 2021 for public comments requires, among others, that the departments in charge of industries, industry organizations and enterprises to participate in, support and carry on vocational education, and stipulates, among others, that the State encourages the development of vocational education in various levels and types, and support social forces to participate in vocational education extensively and equally. The Opinions on Promoting the High-quality Development of Modern Vocational Education (《關於推動現代職業教育高質量發展的意見》) issued on October 12, 2021, targets, among others, fundamental establishment of modern vocational education system, and significant improvement in the appeal and training quality of vocational education by 2025.

REGULATIONS RELATING TO INTERNET ADVERTISEMENT

The PRC Advertisement Law (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994, and last amended on April 29, 2021, requires advertisers to ensure that the contents of the advertisements are true. The content of advertisements shall not contain prohibited information, including but not limited to: (i) information that harms the dignity or interests of the State or divulges the secrets of the State, (ii) information that contains wordings such as “national level,” “highest level,” and “best,” and (iii) information that contains ethnic, racial, religious, or sexual discrimination. Advertisements posted or published through the internet shall not affect normal usage of network by users. Advertisements published in the form of pop-up window on the internet shall display the close button clearly to make sure that the viewers can close the advertisement by one-click.

On July 4, 2016, the PRC State Administration for Industry and Commerce, promulgated the Internet Advertisement Measures (《互聯網廣告管理暫行辦法》), which became effective on September 1, 2016. The Internet Advertisement Measures regulates any advertisement published on the internet, including but not limited to, those on websites, webpage, and Apps, those in the forms of word, picture, audio and video. According to the Internet Advertisement Measures, internet information service providers must stop any person from using their information services to publish illegal advertisements if they are aware of, or should reasonably be aware of, such illegal advertisements even though the internet information service provider merely provides information services and is not involved in the internet

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advertisement businesses. The following activities are prohibited under the Internet Advertisement Measures: (i) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements provided by others; (ii) using network access, network equipment, and applications to disrupt the normal transmission of lawful advertisements provided by others or adding or uploading advertisements without permission; or (iii) harming the interests of others by using false statistics or traffic data.

REGULATIONS RELATING TO INFORMATION SECURITY

Internet content in the PRC is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security (《關於維護互聯網安全的決定》), enacted by the SCNPC on December 28, 2000, and amended with immediate effect on August 27, 2009, makes it unlawful to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights.

The Administrative Measures for the Security Protection of International Connections to Computer Information Network (《計算機信息網絡國際聯網安全保護管理辦法》), issued by the Ministry of Public Security on December 16, 1997, and amended on January 8, 2011, prohibits the use of the internet in ways that, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC's national defense affairs, state affairs and other matters as determined by the PRC authorities.

In addition, the State Secrecy Bureau is authorized for the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets.

On July 1, 2015, the SCNPC issued the National Security Law (《國家安全法》), which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet, and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC issued the PRC Cybersecurity Law (《網絡安全法》), which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cybersecurity. The PRC Cybersecurity Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking

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technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backups and encryption. The PRC Cybersecurity Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The PRC Cybersecurity Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The PRC Cybersecurity Law sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure." These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may impact national security. Among other factors, "critical information infrastructure" is defined as critical information infrastructure, that will, in the event of destruction, loss of function, or data breach, result in serious damage to national security, the national economy and people's livelihoods, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public services, and e-government.

The Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), promulgated by the Ministry of Public Security on December 13, 2005, and became effective on March 1, 2006, requires internet service providers to keep records of certain information about their users (including user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days. Under the PRC Cybersecurity Law, network operators must also report any instances of public dissemination of prohibited content. If a network operator fails to comply with such requirements, the PRC government may revoke its ICP License and shut down its websites.

On March 13, 2019, the Office of the Central Cyberspace Affairs Commission and the SAMR jointly issued the Notice on App Security Certification (《關於開展App安全認證工作的公告》) and the Implementation Rules on Security Certification of Mobile Internet Application (《移動互聯網應用程序(App)安全認證實施規則》), which encourages mobile application operators to voluntarily obtain app security certification, and search engines and app stores are encouraged to recommend certified applications to users.

On July 22, 2020, the Ministry of Public Security published the Guiding Opinions on the Implementation of Cybersecurity Hierarchical Protection System and Critical Information Infrastructure Security Protection System (《貫徹落實網絡安全等級保護製度和關鍵信息基礎設施安全保護制度的指導意見》), which require, among others, to determine the cybersecurity protection level in a scientific manner based on the importance of network (including network facilities, information system, and data resources) in national security, economic construction, and social life, as well as factors such as the degree of harm after its destruction, to implement hierarchical protection and supervision, with emphasis on ensuring the security of critical information infrastructure and networks at or above the third level.

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On June 10, 2021, the SCNPC issued the PRC Data Security Law (《中華人民共和國數據安全法》), which has taken effect on September 1, 2021. The PRC Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. Any organizational or individual data processing activities that violate the PRC Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances.

The Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), promulgated by the General Office of the CPC Central Committee and the General Office of the State Council on July 6, 2021, called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. The aforesaid Opinions also called for the improvement of the relevant laws and regulations on data security, cross-border data flow and confidential information management, and proposed to revise the provisions on strengthening confidentiality and archive administration of overseas issuance and listing of securities, to consolidate responsibility for information security of overseas listed companies, and to strengthen the standardized management of the cross-border information provision mechanism and process.

On July 30, 2021, the State Council promulgated the Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021, referring “critical information infrastructures” as important network facilities and information systems in important industries including public communications and information services, as well as those that may seriously endanger national security, national economy, people’s livelihood, or public interests in the event of damage, loss of function, or data breach. Pursuant to the Regulations for the Security Protection of Critical Information Infrastructure, the relevant government authorities are responsible for stipulating rules for the identification of critical information infrastructures with reference to several factors set forth therein and further identifying the critical information infrastructure in the related industries in accordance with such rules. The relevant authorities must also notify operators of the determination as to whether they are categorized as critical information infrastructure operators. On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), providing that data processors conducting the following activities must apply for cybersecurity review: (i) merger, reorganization, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests affects or may affect national security; (ii) a foreign listing by data processors processing over one million users’ personal information; (iii) listing in Hong Kong that affects or may affect national security; or (iv) other data processing activities that

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affect or may affect national security. The CAC solicited comments until December 13, 2021, but there is no timetable as to when it will be enacted. On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC governmental authorities jointly promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effect on February 15, 2022 and replaced the Measures for Cybersecurity Review (《網絡安全審查辦法》) promulgated in April 2020 and effective in June 2020. According to the Cybersecurity Review Measures, critical information infrastructure operators that intend to purchase internet products and services and internet platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review, and an internet platform operator possessing personal information of over one million users and pursuing a foreign listing (國外上市) must be subject to the cybersecurity review.

REGULATIONS RELATING TO INTERNET PRIVACY

In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. PRC law does not prohibit internet content provision operators from collecting and analyzing personal information from their users. However, the Internet Measures prohibits an internet content provision operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party.

The Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), promulgated by the MIIT on December 29, 2011 and became effective on March 15, 2012, stipulates that internet content provision operators must not, without user consent, collect user personal information, which is defined as user information that can be used alone or in combination with other information to identify the user, and may not provide any such information to third parties without prior user consent. Internet content provision operators may only collect user personal information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information. In addition, an internet content provision operator may only use such user personal information for the stated purposes under the internet content provision operator's scope of service. Internet content provision operators are also required to ensure the proper security of user personal information and take immediate remedial measures if user personal information is suspected to have been disclosed. If the consequences of any such disclosure are expected to be serious, ICP operators must immediately report the incident to the telecommunications regulatory authority and cooperate with the authorities in their investigations.

On December 28, 2012, the SCNPC promulgated the Decision of the Standing Committee of the National People's Congress on Strengthening Online Information Protection (《全國人大常委會關於加強網絡信息保護的決定》) with immediate effect. The Decision provides that, among others, internet service providers shall abide by the principles of legality, legitimacy and necessity, clearly state the purpose, method and scope of the collection and use of information, obtain the consent of the person whose information is being collected when

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collecting and using a citizen's personal information during business activities, and shall not violate the provisions of laws and regulations or the agreement between the parties when collecting and using information.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), which came into effect on September 1, 2013. Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet content provision operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet content provision operators are required to cease any collection or use of the user personal information, and de-register the relevant user account, when a given user stops using the relevant internet service. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

The PRC Cybersecurity Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, internet operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. Also, the PRC Cybersecurity Law imposes breach notification requirements that will apply to breaches involving personal information.

On February 4, 2015, the CAC promulgated the Provisions on the Administrative of Account Names of Internet Users (《互聯網用戶賬號名稱管理規定》), which became effective as of March 1, 2015, setting forth the authentication requirement for the real identity of internet users by requiring users to provide their real names during the registration process. In addition, these provisions specify that internet information service providers are required by these provisions to accept public supervision, and promptly remove illegal and malicious information in account names, profile photos, introductions and other registration-related information reported by the public in a timely manner. On October 26, 2021, the CAC published the Provisions on the Administrative of Account Names Information of Internet Users (Draft for Comments) (《互聯網用戶賬號名稱信息管理規定(徵求意見稿)》) for public comments. Pursuant to these provisions, internet user account service platforms shall, among others, establish, improve and strictly implement account name information management system, information content security system, and personal information protection system, and

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establish an account name information dynamic check patrol system for the verification of real identity information, improve their technical measures for purposes of account information legal compliance, and support account name authenticity checks.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications, and encourages search engines and APP stores to clearly mark and recommend those certified Apps.

On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), effective on October 1, 2019. Network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children's guardians.

On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including “not publishing rules on the collection and usage of personal information” and “not providing privacy rules.”

Pursuant to the Ninth Amendment to the PRC Criminal Law (《中華人民共和國刑法修正案(九)》), issued by the SCNPC on August 29, 2015, and became effective on November 1, 2015, any internet service provider that fails to fulfill its obligations related to internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. In addition, Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), issued on May 8, 2017, and effective as of June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. In addition, on May 28, 2020, the National People's Congress adopted the PRC Civil Code (《中華人民共和國民法典》), which came into effect on January 1, 2021. Pursuant to the PRC Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

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The MIIT issued the Notice on the Further Special Rectification of App Infringing upon Users' Personal Rights and Interests (《關於開展縱深推進App侵害用戶權益專項整治行動的通知》) on July 22, 2020, which requires that certain conducts of app service providers should be inspected, including, among others, (i) collecting or using personal information without the user's consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive advertisements; (ii) requesting user's permission in a compulsory and frequent manner, or frequently launching third- parties apps; and (iii) deceiving and misleading users into downloading apps or providing personal information. It also sets forth that the period for the regulatory specific inspection on apps and that the MIIT will order the non-compliant entities to modify their business within five business days, or otherwise the MIIT will make public announcement, remove the apps from the app stores or impose other administrative penalties.

On June 1, 2021, the Law of the PRC on the Protection of Minors (Revised in 2020) (《中華人民共和國未成年人保護法》(2020修訂)), promulgated by the SCNPC, has come into effect, which specifies stringent requirements for the protection of minors' information.

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which took effect on November 1, 2021. The PRC Personal Information Protection Law specifically specifies the rules for handling sensitive personal information, i.e., personal information that, once leaked or illegally used, may easily cause harm to the dignity of natural persons or grave harm to personal or property security, including information on biometric characteristics, financial accounts, individual location tracking, etc., as well as the personal information of minors under the age of 14. Personal information handlers shall bear responsibility for their personal information handling activities and adopt the necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered to correct or suspend or terminate the provision of services, confiscation of illegal income, fines or other penalties.

On September 17, 2021, the CAC, together with eight other government authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services (《關於加強互聯網信息服務算法綜合治理的指導意見》). The guidelines provide that daily monitoring of data use, application scenarios, and effects of algorithms must be carried out by the relevant regulators, and relevant regulators should conduct security assessments of algorithms. The guidelines also provide that an algorithm filing system should be established, and classified security management of algorithms should be promoted.

On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, and the SAMR jointly promulgated the Administrative Provisions on Internet Information Service Algorithm-Based Recommendation (《互聯網信息服務算法推薦管理規定》), which took effect on March 1, 2022. The Administrative Provisions on Internet Information Service Algorithm-Based Recommendation, among others, implements classification and hierarchical management for algorithm-based recommendation service providers based on various criteria, requires algorithm-based recommendation service providers to inform users of their provision

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of algorithm-based recommendation services in a conspicuous manner, and publicize the basic principles, purpose intentions, and main operating mechanisms of algorithm-based recommendation services in an appropriate manner, and requires such service providers to provide users with options that are not specific to their personal profiles, or convenient options to cancel algorithmic recommendation services.

REGULATIONS RELATING TO ONLINE LIVE STREAMING SERVICES

On November 4, 2016, the CAC issued the Administrative Regulations on Online Live Streaming Services (《互聯網直播服務管理規定》), which came into effect on December 1, 2016, pursuant to which all online live streaming service providers must take various measures during operation of live streaming services, including but not limited to: (i) establish platforms for reviewing live streaming content, conducting classification, and grading management according to the online live streaming content categories, user scale, and others, and adding tags to graphics, video, audio, or broadcast tag information for platforms; (ii) conduct verification on online live streaming users with valid identification information (e.g., authentic mobile phone numbers) and validate the registration of online live streaming publishers based on their identification documents (such as identity documents, business licenses, and organization code certificates); (iii) examine and verify the authenticity of the identification information of online live streaming service publishers, classify and file such identification information records with the internet information offices at the provincial level where they are located and provide such information to relevant law enforcement departments upon legal request; (iv) enter into a service agreement with the users of online live streaming services of which the essential clauses should be under guidance of internet information offices at the provincial level, to clarify the rights and obligations of the parties and require them to comply with the laws, regulations, and platform conventions; and (v) establish a credit-rating system and a blacklist system, to provide management and services according to such credit rating, prohibit re-registration of accounts by online live streaming service users on the black list, and promptly report such users to relevant internet information offices.

According to the Administrative Regulations on Online Live Streaming Services, online live streaming service providers and online live streaming publishers that provide internet news information services without licenses, or exceed the scope of their licenses, shall subject to punishment by the CAC and its provincial counterparts which may include an order to cease such services and a fine of RMB10,000 to RMB30,000. Other violations of the Administrative Regulations on Online Live Streaming Services are subject to punishment by the national and local internet information offices; if such violations constitute criminal offenses, criminal investigations or penalties may be imposed.

On September 2, 2016, the SAPPRFT issued the Circular of the State Administration of Press, Publication, Radio, Film and Television on Issues Concerning Strengthening the Administration of Online Live Streaming of Audio-Visual Programs (《國家新聞出版廣電總局關於加強網絡視聽節目直播服務管理有關問題的通知》). According to the circular, appropriate Audio-Visual Permit is a prerequisite for online audio-visual live streaming of general cultural events of social communities, sports events, important political, military,

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economic, social, and cultural events. Relevant information about specific activities to be streamed shall be filled in advance to the provincial counterparts of the SAPPRFT. Online audio-visual live streaming service providers shall censor and tape such programs and retain them for at least 60 days for future check by the administrative departments; and they shall have an established emergency reaction plan in place to replace programs in violation of laws and regulations. Bullet-screen comments shall be forbidden in the live streaming of important political, military, economic, social, sports, and cultural events. Special censor shall be appointed for bullet-screen comments in the live streaming of general cultural events of social communities and sports events. Hosts, guests, and targets hired or invited by online audio-visual live streaming programs shall meet the following requirements: (i) patriotic and law-abiding; (ii) good public reputation and social image, no scandals and no misdeeds; (iii) dress, hairstyle, language, and actions are consistent with public order and good morals, and not drawing topics with vulgar contents or contents inappropriate to discuss in public.

According to the Measures for the Administration of Cyber Performance Business Operations (《網絡表演經營活動管理辦法》), promulgated by the Ministry of Culture on December 2, 2016 and became effective on January 1, 2017, a cyber-performance business entity engaging in cyber performance business operations shall, in accordance with the Internet Culture Provisions, apply to the cultural administrative department at the provincial level for an ICB License, and the license shall specify the scope of its cyber performance. A cyber-performance business entity shall indicate the number of its ICB License in a conspicuous position on its homepage. According to the 2021 Negative List, foreign investors are prohibited from investing in an entity holding an ICB License (except for music). Consequently, foreign investors are prohibited from investing in businesses that carry out and operate the short video and live streaming and online game via platform(s), as these businesses are deemed as businesses subject to foreign-investment prohibition by virtue of the platform's need to obtain an ICB License (except for music).

According to the Notice on Strengthening the Management of Internet Live Streaming Service (《關於加強網絡直播服務管理工作的通知》) issued by Office of the National “Anti-pornography and Anti-illegal” Working Group, MIIT, the Ministry of Public Security, MCT, NRTA and CAC on August 1, 2018, live streaming service providers shall perform website ICP filing procedures with the competent telecommunication department according to law, and live streaming service providers involved in operating telecommunication business and internet news information, network performance, live streaming of audio-visual programs and other businesses shall apply to the relevant departments to obtain licenses for telecommunication business operation, internet news information services, network culture operation, and Audio-Visual Permit, etc., and within 30 days of the live streaming service going online, shall carry out public security registration procedures in accordance with relevant regulations with the public security authorities.

According to the Notice on Strengthening the Administration of the Online Show Live Streaming and E-commerce Live Streaming (《關於加強網絡秀場直播和電商直播管理的通知》) issued by the NRTA on November 12, 2020, with respect to platforms providing online show live streaming services or e-commerce live streaming services, the overall ratio of

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front-line content reviewers to online live streaming rooms shall be 1:50 or higher. A platform shall report the number of its live streaming rooms, streamers and content reviewers to the provincial branch of the NRTA on a quarterly basis. Online show live streaming platforms shall tag content and streamers by category. A streamer cannot change the category of the programs offered in his or her live streaming room without prior approval from the platform. Users that are minors or without real-name registration are forbidden from virtual gifting, and platforms shall limit the maximum amount of virtual gifting per time, per day, and per month. When the virtual gifting by a user reaches half of the daily/monthly limit, a consumption reminder from the platform and a confirmation from the user by text messages or other means are required before the next transaction. When the amount of virtual gifting by a user reaches the daily/monthly limit, the platform shall suspend the virtual gifting function for such user for that day or month.

According to the Guiding Opinions on Strengthening the Standardized Management of Network Live Broadcasting (《關於加強網絡直播規範管理工作的指導意見》) issued by CAC, Office of the National “Anti-pornography and Anti-illegal” Working Group, MIIT, the Ministry of Public Security, MCT, the State Administration for Market Regulation, or the SAMR and NRTA on February 9, 2021, live streaming platforms that carry out business-oriented network performance activities must hold the ICB License and carry out an ICP filing; live streaming platforms that carry out internet audio-visual program services must hold the Audio-Visual Permit (or complete the registration in the national internet audio-visual platforms information registration and management system) and carry out an ICP filing; live streaming platforms that carry internet news information service must hold internet news information service license. Live streaming platforms shall file with local cyberspace administration office in a timely manner and shall cancel its filing immediately after it ceases to provide live streaming services.

The Law of the PRC on the Protection of Minors (Revised in 2020) (《中華人民共和國未成年人保護法》(2020修訂)) promulgated on October 17, 2020 and effective on June 1, 2021, provide that, among others, internet live streaming service providers shall not provide minors under age 16 with online live streaming publisher account registration service, and must obtain the consent from parents or guardians and verify the identity of the minors before allowing minors aged 16 or above to register live streaming publisher accounts.

REGULATIONS RELATING TO COMPANIES

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law (《中華人民共和國公司法》), which was promulgated on December 29, 1993, last amended with immediate effect on October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

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The latest major amendment to the PRC Company Law took effect on March 1, 2014, pursuant to which there is no longer a prescribed timeframe for shareholders of a company to make full capital contribution to a company, except as otherwise provided in other relevant laws, administrative regulations and State Council decisions. Instead, shareholders are only required to state the capital amount that they commit to subscribe to in the articles of association of the company. Furthermore, the initial payment of a company's registered capital is no longer subject to a minimum capital requirement, and the business license of a company will not show its paid-up capital. In addition, shareholders' contribution of the registered capital is no longer required to be verified by capital verification agencies.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment, or the Encouraging Catalog, and the Special Administrative Measures (Negative List) for Foreign Investment Access, or the Negative List, which were promulgated and are amended from time to time by the Ministry of Commerce and the NDRC, and together with the Foreign Investment Law, and their respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: "encouraged," "restricted," and "prohibited." Industries not listed in the Catalog are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws.

On December 27, 2020, the Ministry of Commerce and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄》(2020年版)), which became effective on January 27, 2021, to replace the previous Encouraging Catalog. On December 27, 2021, the Ministry of Commerce and the NDRC released the 2021 Negative List, which became effective on January 1, 2022, to replace the previous Negative List.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law (《中華人民共和國外商投資法》), or the FIL, which became effective on January 1, 2020, and replaced the major laws and regulations governing foreign investment in China. Pursuant to the FIL, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in China, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in China solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within China, (iii) foreign investors investing in new projects in China solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List. The FIL provides that foreign invested entities operating in foreign "restricted" or "prohibited" industries will require entry clearance and other approvals.

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The FIL does not comment on the concept of “de facto control” or contractual arrangements with variable interest entities, however, it has a catch-all provision under definition of “foreign investment” to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

The FIL also provides several protective rules and principles for foreign investors and their investments in China, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, allows foreign investors’ funds to be freely transferred out and into the PRC territory, which run through the entire lifecycle from the entry to the exit of foreign investment, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law and other laws and regulations governing the corporate governance.

Along with the FIL, the Implementing Rules of Foreign Investment Law (《中華人民共和國外商投資法實施條例》) promulgated by the State Council and the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of the Foreign Investment Law (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) promulgated by the Supreme People’s Court became effective on January 1, 2020. The Implementing Rules of Foreign Investment Law further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, the Ministry of Commerce and the SAMR, jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

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REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in China include the PRC Company Law and the FIL. Under the current regulatory regime in the PRC, foreign-invested enterprises in China may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

The PRC has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

The PRC Copyright Law (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and became effective on June 1, 2021, and its related Implementing Regulations (《中華人民共和國著作權法實施條例》) issued by the State Council on August 2, 2002 and last amended on January 30, 2013 and became effective on March 1, 2013, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the PRC Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

Under the Regulations on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) that took effect on July 1, 2006 and was amended on January 30, 2013, it is further provided that an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the

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infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder's notice of infringement. The internet information service provider may be exempted from indemnification liabilities under the following circumstances:

- (i) any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio/visual products provided by its users is not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio/visual products and (b) it provides such works, performances and audio/visual products to the designated users and prevents any person other than such designated users from obtaining access;
- (ii) any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio/visual products obtained from any other internet information service providers, is not required to assume the indemnification liabilities if (a) it has not altered any of the works, performances or audio/visual products that are automatically stored; (b) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works, performances and audio/visual products; and (c) when the original internet information service provider revises, deletes or shields the works, performances and audio/visual products, it will automatically revise, delete or shield the same;
- (iii) any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio/visual products to the general public via an informational network is not required to assume the indemnification liabilities if (a) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performances and audio/visual products that are provided by the users; (c) it is not aware of or has no justified reason to know that the works, performances and audio/visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio/visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio/visual products pursuant to the regulation;
- (iv) an internet information service provider that provides its users with search engine or link services should not be required to assume the indemnification liabilities if, after receiving a notice from the copyright holder, it disconnects the link to the allegedly infringing works, performances and audio/visual products pursuant to the regulation, unless it is aware of or should reasonably have known the infringement.

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The Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》), that were promulgated by the Ministry of Information Industry and National Copyright Administration, or the NCA on April 29, 2005, and became effective on May 30, 2005, provided that an internet information service provider shall take measures to remove the relevant contents, record relevant information after receiving the notice from the copyright owner that some content communicated through internet infringes upon his/its copyright and preserve the copyright owner's notice for 6 months. Where an internet information service provider clearly knows an internet content provider's tortious act of infringing upon another's copyright through internet, or fails to take measures to remove relevant contents after receipt of the copyright owner's notice although it does not know it clearly, and meanwhile damages public benefits, the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than 3 times the illegal business amount; if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

The Notice on Regulating Copyright Order of Internet Reproduction (《關於規範網絡轉載版權秩序的通知》) issued by the NCA on April 17, 2015 includes the following four major points: (i) clarify certain important issues related to internet copyrights in existing laws and regulations, including the definition of news, clarify statutory licenses that are not applicable to internet copyrights and prohibit the distortion of title and work intent; (ii) guide the press and media to further improve the internal management of copyrights, especially requesting the press to clarify the copyright sources of their content; (iii) encourage the press and internet media to actively carry out copyright cooperation; and (iv) ask the copyright administrations at all levels to strictly implement copyright supervision.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》), promulgated by the NCA on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The NCA shall be the competent authority for the nationwide administration of software copyright registration and the PRC Copyright Protection Center, is designated as the software registration authority. The PRC Copyright Protection Center shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Computer Software Copyright Registration Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

The Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), promulgated by the Supreme People's Court on December 17, 2012, last amended on December 29, 2020 and came into effect on January 1, 2021, provide that web users or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

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The Notice on Launching “Jian Wang 2020” Special Actions Against Internet Piracy and Copyright Infringement (《關於開展打擊網絡侵權盜版“劍網2020”專項行動的通知》), jointly issued by NCA, MIIT, the Ministry of Public Security, and CAC in 2020 includes carrying out special rectification of audio-visual works copyright and social platform copyright, and consolidating the achievements of copyright management in key areas, including strengthening the rectification of the infringements such as plagiarism, adaptation and database copying in the knowledge sharing field and the copyright supervision over large-scale knowledge sharing platforms.

Trademark

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) which was promulgated on August 23, 1982, and last amended on April 23, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) which was adopted by the State Council on August 3, 2002 and amended on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The PRC Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the trademark office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Patent

Patents are protected by the PRC Patent Law (《中華人民共和國專利法》) which was promulgated on March 12, 1984, last amended on October 17, 2020, and effective on June 1, 2021, and its Implementation Rules (《中華人民共和國專利法實施細則》) promulgated on January 19, 1985 and last amended on January 9, 2010 by the State Council. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for

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intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the National Intellectual Property Administration is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model, and a fifteen-year term for a design. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. China Internet Network Information Center adopts the “first to file” principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to the notice, the domain names used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager.

REGULATIONS RELATING TO FOREIGN EXCHANGE

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, and last amended on August 5, 2008 and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local branches. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise provided by laws and regulations, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant PRC rules and regulations. For

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foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant PRC rules and regulations.

Regulations Relating to Offshore Investment

On July 4, 2014, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, which regulates the relevant matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, a PRC resident must register with the local SAFE counterpart before contributing assets or equity interests in an offshore special purpose vehicle, that is directly established or indirectly controlled by such PRC resident for the purpose of conducting investment or financing. In addition, following the initial registration, in the event of any major change in respect of the offshore special purpose vehicle, including, among other things, a change of offshore special purpose vehicle's PRC resident shareholder(s), the name of the offshore special purpose vehicle, terms of operation, or any increase or reduction of the offshore special purpose vehicle's capital, share transfer or swap, and merger or division, the PRC resident shall complete the change of foreign exchange registration procedures for offshore investment with the local SAFE counterpart. According to the procedural guideline as attached to SAFE Circular 37, the principle of review has been changed to "the domestic individual resident shall only register the offshore special purpose vehicle directly established or controlled (first level)." At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014, as an attachment to SAFE Circular 37. Under the relevant rules, failure to comply with the registration procedures set out in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who hold any shares in the company from time to time are required to register with the SAFE in connection with their investments in the company.

On February 13, 2015, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13, effective on June 1, 2015, which further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than SAFE or its local counterpart in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

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On March 30, 2015, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, effective on June 1, 2015, according to which the foreign exchange capital of foreign-invested enterprises must be subject to the Discretionary Foreign Exchange Settlement, which refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

SAFE issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, on June 9, 2016, which became effective on the same day. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, which became effective on the same day. SAFE Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China as long as such investments do not violate the currently effective Negative List and the target investment projects are genuine and in compliance with laws. In addition, SAFE Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt, and overseas listing for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments.

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REGULATIONS RELATING TO STOCK INCENTIVE PLANS

In February 2012, SAFE promulgated the Notices of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the PRC agents before distribution to such PRC residents. Under the Circular of the State Taxation Administration on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated by the STA and effective from August 24, 2009, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for “wage and salary income” and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and the Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》), or collectively, the EIT Laws, were promulgated on March 16, 2007, and December 6, 2007, respectively and were most recently amended on December 29, 2018 and April 23, 2019, respectively. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Laws and relevant

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implementing regulations, a uniform EIT rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside China.

The Notice of the State Taxation Administration Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or STA Circular 82, promulgated on April 22, 2009 and amended on January 29, 2014 and December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. The Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or STA Bulletin 45, which was promulgated on July 27, 2011, amended on June 15, 2018, and effective on September 1, 2011, further provides guidance on the implementation of STA Circular 82 and clarifies certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

According to STA Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in China and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (iv) 50% or more of voting board members or senior executives habitually reside in China. According to STA Bulletin 45, when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the PRC controlled offshore incorporated enterprise.

The EIT Laws permit certain High and New Technology Enterprises, or HNTes, to enjoy a reduced 15% EIT rate subject to these HNTes meeting certain qualification criteria and permit certain small low-profit enterprises to enjoy a reduced 20% EIT rate subject to certain conditions. In addition, the relevant EIT laws and regulations also provide that entities recognized as software enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years, while entities qualified as key software enterprises can enjoy a preferential EIT rate of 10%.

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The Bulletin of the State Taxation Administration on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or STA Bulletin 7, was issued on February 3, 2015 and most recently amended pursuant to the Announcement of the State Taxation Administration on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), which was issued on October 17, 2017, amended on June 15, 2018 and effective as of December 1, 2017. Pursuant to STA Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC EIT. As a result, gains derived from an indirect transfer may be subject to PRC EIT. According to STA Bulletin 7, “PRC taxable assets” include assets attributed to an establishment or a place of business in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the relevant gain is to be regarded as effectively connected with the PRC establishment or a place of business and therefore included in its EIT filing and would consequently be subject to PRC EIT at a rate of 25%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise, a PRC EIT at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of STA Bulletin 7.

VAT and Business Tax

Before August 2013 and pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

In November 2011, the Ministry of Finance and the STA promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). In May and December 2013, April 2014, March 2016 and July 2017, the Ministry of Finance and the STA promulgated five circulars to further expand the scope of services that are to be subject to VAT instead of business tax. Pursuant to these tax rules, from August 1, 2013, a VAT was imposed to replace the business tax in certain service industries, including technology services and advertising services, and from May 1, 2016, VAT replaced business tax in all industries, on a nationwide basis. On November 19, 2017, the State Council further amended the Interim Regulation of the People’s Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例》) to reflect the normalization of the pilot program. The VAT rates generally

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applicable are simplified as 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers is 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On April 4, 2018, the Ministry of Finance and the STA issued the Notice on Adjustment of VAT Rates (《關於調整增值稅稅率的通知》), which came into effect on May 1, 2018. According to the above-mentioned notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10%, respectively starting from May 1, 2018.

On March 20, 2019, the Ministry of Finance, the STA and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), which came into effect on April 1, 2019, to further slash VAT rates. According to the announcement, (i) for general VAT payers' sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

Dividend Withholding Tax

The PRC Enterprise Income Tax Law provides that since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business, but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Notice of the State Taxation Administration on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) issued on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income

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tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Announcement of the State Taxation Administration on Issues Relating to “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), which was issued on February 3, 2018 by the STA, effective as of April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This notice further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》).

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

According to the PRC Labor Law (《中華人民共和國勞動法》) promulgated on July 5, 1994, and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in China. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was implemented on January 1, 2008, and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

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Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporations of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

REGULATIONS RELATING TO UNFAIR COMPETITION AND ANTI-MONOPOLY

According to the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC on September 2, 1993, and last amended with immediate effect on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions set forth therein in its production and operating activities. Operators shall abide by the principle of voluntariness, equality, impartiality, integrity, as well as laws and business ethics during production and operating activities.

On August 17, 2021, the SAMR issued a draft of the Provisions on the Prohibition of Internet Unfair Competition (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》) for public comments, which, among others, prohibit operators from carrying out or assisting in carrying out acts of internet unfair competition, disrupt the market competition order, affect market fair trade, or harm the legitimate rights and interests of other business operators or consumers directly or indirectly.

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The Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC, which became effective on August 1, 2008, and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings (《國務院關於經營者集中申報標準的規定》) promulgated by the State Council on August 3, 2008, and latest amended on September 18, 2018, require that where a concentration reaches one of the following thresholds, a declaration must be lodged in advance with the anti-monopoly law enforcement agency under the State Council, or otherwise the concentration shall not be implemented: (i) during the previous fiscal year, the total global turnover of all undertakings participating in the concentration exceeded RMB10 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within China; or (ii) during the previous fiscal year, the total turnover within China of all the undertakings participating in the concentration exceeded RMB2 billion, and at least two of these undertakings each had a turnover of more than RMB400 million within China.

On October 23, 2020, the SAMR further issued the Measures for Examination and Approval of Concentration of Business Operators (《經營者集中審查暫行規定》), effective on December 1, 2020, which refers concentration as (i) a merger of undertakings; (ii) acquiring control over other undertakings by acquiring equities or assets; or (iii) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means.

In early February 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平臺經濟領域的反壟斷指南》), which provides that the calculation of turnover in the field of platform economy may be different depending on the business model of the operators: for platform operators who only provide information matchings and collect commissions, their turnovers should be calculated including the service fee charged by the platform and other platform income; for the platform operators who participate in the market competition on the platform side, their turnovers shall be calculated including the transaction amount involved in the platform and other platforms. The concentration of undertakings involving the agreement control (VIE) structure falls within the scope of the antitrust review of concentration of undertakings. Where the concentration of undertakings meets the declaration standards set by the State Council, the operators shall declare to the Anti-Monopoly Law Enforcement Agency of the State Council in advance, and the concentration shall not be implemented if the concentration is not declared. According to the Anti-Monopoly Law of the PRC, if business operators fail to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to RMB500,000.

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On October 23, 2021, the SCNPC issued a draft amendment of the Anti-Monopoly Law (《反壟斷法(修正草案)》) for public comments until November 21, 2021, which provides, among other things, that business operators should not abuse data, algorithms, technology, capital advantages, and platform rules to exclude or limit competition. The draft also requires relevant government authorities to strengthen the examination of concentration of undertakings in areas such as finance, media, science, and technology, and enhances penalties for violation of the regulations regarding concentration of undertakings.

M&A RULES AND OVERSEAS LISTING

On August 8, 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the M&A Rules, which became effective on September 8, 2006, and was revised on June 22, 2009, governing the mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, requires that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

In addition, in 2011, the General Office of the State Council promulgated the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), or the Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, the Ministry of Commerce promulgated the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the Security Review Rules, effective in September 2011, to implement Circular 6. Under Circular 6, security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. Under the foregoing the Ministry of Commerce regulations, the Ministry of Commerce will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If the Ministry of Commerce decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and the Ministry of Commerce under the leadership of the State Council, to carry out security review. The Rules prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the internet content business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to the Ministry of Commerce's review. On December 19, 2020, the NDRC and the Ministry of Commerce jointly promulgated the Measures for the Security Review for Foreign Investment (《外商投資安全審查辦法》), effective on January

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18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室), who will lead the task together with the Ministry of Commerce. Foreign investor or relevant parties in China must declare the security review to the aforesaid office prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies, and other important fields relating to national security and obtain control in the target enterprise.

On December 24, 2021, the CSRC released the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》), which require that, among other things, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information with the CSRC. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company will be subject to administrative penalties such as warnings, fines, suspension of relevant business or operations, and revocation of licenses and permits, and its controlling shareholders, actual controllers, directors, supervisors, and senior executives may also be subject to administrative penalties such as warnings and fines. On the same day, the CSRC also issued the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) which, among others, set forth the standards in determination of an indirect overseas listing by a domestic company, the responsible filing persons, and the procedures for the filing. The period for which the CSRC solicits comments on these two drafts ended on January 23, 2022.

On December 27, 2021, the NDRC and the Ministry of Commerce jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (《外商投資準入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List, which took effect on January 1, 2022. According to the 2021 Negative List, PRC domestic companies conducting businesses in areas prohibiting foreign investment under the 2021 Negative List must obtain approval from the relevant regulatory authorities before its overseas securities offering and listing. At a press conference held on January 18, 2022, the NDRC clarified that the foregoing approval requirement would only apply to direct overseas offerings by PRC domestic companies engaging in foreign-prohibited businesses, and that the 2021 Negative List supports domestic companies to choose international and domestic markets for financing in accordance with the law. Our PRC Legal Advisor is of the view that, based on the foregoing clarifications by the NDRC, the Global Offering constitutes an indirect overseas offering by a PRC domestic company, which would not be subject to the foregoing approval requirement, and that the 2021 Negative List would neither have a material adverse effect on nor prohibit our future fund-raising activities as of the date of this prospectus.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Our Founder, Mr. Yuan Zhou, founded Zhihu in 2010. Between 2010 and 2012, Zhihu was a by-invitation-only, Q&A community. Zhihu opened up registration to the general public in 2013 and has since grown into one of the largest comprehensive online content communities in China. We started to offer online advertising in 2016, introduced paid content in 2018, started our paid Yan Selection membership program in the first half of 2019, and formally launched our content-commerce solutions in early 2020. We have continued to expand our content-centric monetization channels since 2020, including offering vocational training and e-commerce initiatives.

BUSINESS MILESTONES

The following is a summary of our key business development milestones:

Timeline	Event
2011	The Zhihu product was launched as a by-invitation-only, Q&A-focused website.
2013	Zhihu opened user registration to the general public.
2016	We started to offer online advertising.
2018	We introduced paid content.
2019	We started our Yan Selection paid membership program.
2020	We launched Zhi+, our innovative content-commerce solutions.
2021	Our Company completed its initial public offering on the NYSE under the symbol “ZH.”

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities, date of establishment and date of commencement of business of each member of our Group that made a material contribution to our results of operation during the Track Record Period are shown below:

Name	Principal business activities	Date of establishment and commencement of business
Zhizhe Tianxia	Content and app related services	June 8, 2011
Zhihu Network	Advertising and business solutions services	January 22, 2018
Zhizhe Sihai	Technical and operating support	January 18, 2012

LISTING ON THE NYSE

On March 26, 2021, we listed our ADSs on the NYSE under the symbol “ZH.” Our initial public offering on the NYSE was completed on March 30, 2021. Pursuant to the initial public offering, our Company sold 55,000,000 ADSs representing 27,500,000 Class A Ordinary Shares at an offering price of US\$9.50 per ADS. Additionally, the underwriters exercised their option to purchase an additional 259,904 ADSs representing 129,952 Class A Ordinary Shares.

On March 30, 2021, concurrently with the completion of our initial public offering, we issued and sold (i) 5,263,157 Class A Ordinary Shares to Alibaba Group Holding Limited (holding through an affiliate) for a consideration of US\$100.0 million, (ii) 5,263,157 Class A Ordinary Shares to JD.com, Inc. (holding through an affiliate) for a consideration of US\$100.0 million, (iii) 1,578,947 Class A Ordinary Shares to Image Frame Investment (HK) Limited, a subsidiary of Tencent, for a consideration of US\$30.0 million, and (iv) 1,052,631 Class A Ordinary Shares to Lilith Games (holding through an affiliate) for a consideration of US\$20.0 million. The concurrent private placements were conducted at a price per share equal to the initial public offering price adjusted to reflect the ADS-to-Class A Ordinary Share ratio. Net proceeds from our initial public offering, including the underwriters’ option, and the concurrent private placements, after deducting the underwriting discounts and offering expenses, were approximately US\$739.4 million.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

COMPLIANCE WITH THE RULES OF NYSE

Since the date of our listing on the NYSE and up to the Latest Practicable Date, our Directors confirm that we had no instances of non-compliance with the rules of the NYSE in any material respects and to the best knowledge of our directors having made all reasonable enquiries, there is no matter that should be brought to investors' attention in relation to our compliance record on the NYSE.

REASONS FOR THE LISTING

Our Board is of the view that the Listing and the Global Offering will present us with an opportunity to further expand our investor base and to broaden and solidify our access to capital markets, as well as to provide us with additional funding channels and sources for us to further develop our business as disclosed in the section headed "Business—Our Strategies" in this prospectus.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated under the laws of the Cayman Islands on May 17, 2011 under the name "Zhihu Technology Ltd" to serve as the holding company of our Group. In October 2020, our Company changed its name to "Zhihu Inc."

Upon incorporation, the Company had an authorized share capital of US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1.00 each. On November 8, 2011 and May 5, 2014, our Company conducted a 1:1000 share split and a 1:8 share split, respectively.

The major shareholding changes of our Company since its inception were as set out below.

We have historically undergone seven rounds of pre-IPO investments between November 2011 and August 2019, resulting in the aggregate issuance of (i) 37,858,584 Series A preferred shares (1,848,982 of which were subsequently repurchased by the Company and canceled in July 2018), (ii) 25,164,697 Series B preferred shares, (iii) 27,935,316 Series C preferred shares, (iv) 22,334,525 Series D preferred shares, (v) 6,947,330 Series D1 preferred shares, (vi) 27,267,380 Series E preferred shares, (vii) 34,677,872 Series F-1 preferred shares and (viii) one Series F-2 preferred share (which was subsequently surrendered to the Company and canceled in December 2020). All of the preferred shares had a par value of US\$0.000125 each. During our pre-IPO investments, we achieved post-money valuation of US\$29.9 million for Series A round, US\$132.0 million for Series B round, US\$375.1 million for Series C round, US\$918.5 million for Series D round, US\$1.0 billion for Series D1 round, US\$2.4 billion for Series E round, and US\$3.4 billion for Series F round. As of the Latest Practicable Date, we have utilised approximately 65% of the net proceeds from these investments for development of product and service, marketing and user growth, research and development and general corporate purposes.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Our investors included various professional equity investment funds including Innovation Works (or Sinovation Ventures), Qiming Venture Partners, SAIF Partners and Capital Today, as well as prestigious internet technology companies, Tencent, Kuaishou and Baidu. Tencent is a sophisticated investor of our Company and had retained more than an aggregate 50% of its investment at the time of our initial public offering on the NYSE for a period of six months following such time. The average cost per share for the investments in us for each of our Selling Shareholders was approximately US\$0.67 for Innovation Works, US\$0.87 for Qiming Venture Partners, US\$1.61 for SAIF Partners and US\$5.83 for Capital Today.

On August 7, 2019, our Company adopted a WVR Structure whereby its ordinary shares were re-classified and re-designated into two classes: Class A Ordinary Shares, each carrying one vote at a general meeting of the Company; and Class B Ordinary Shares, each carrying ten votes at a general meeting of the Company.

In March and April 2021, we issued a total of 40,787,844 Class A Ordinary Shares pursuant to our initial public offering on the NYSE, including the underwriters' option, and the concurrent private placement. Further details of our initial public offering set out in the section headed "—Listing on the NYSE" in this section. Immediately prior to the completion of our initial public offering on NYSE, all of our issued and outstanding preferred shares and ordinary shares were converted into, and re-designated and re-classified, as Class A Ordinary Shares on a one-for-one basis, except that the 19,227,592 Class B Ordinary Shares beneficially owned by Mr. Zhou at the time continued to be Class B Ordinary Shares. Following our listing on the NYSE and save for the weighted voting rights attached to our Class B Ordinary Share as permitted under Rule 8A.07 of the Listing Rules, there are no other Shareholders that are entitled to special rights not proportionate to their economic interests in our Company.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our inception that we consider to be material to us. In 2021, we acquired Prez Limited and Yincheng Limited to strengthen our capability in offering and delivering content and programs for our vocational training business. For further details about these acquisitions, see "Business – Our Monetization – Vocational Training."

CONTRACTUAL ARRANGEMENTS

On December 21, 2021, the Contractual Arrangements were entered into among Zhizhe Sihai, Zhizhe Tianxia and the Registered Shareholders of Zhizhe Tianxia to replace the old contractual arrangements in place previously. See section headed "Contractual Arrangements" for further details.

We have not undertaken any material reorganization step in our corporate structure.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the CSRC, the State Administration for Industry and Commerce (currently known as the SAMR) and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009 with immediate effect, require that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for this offering is not required under the M&A Rules because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus are subject to the M&A Rules; (ii) our wholly-owned PRC subsidiaries were not established through mergers or acquisitions of domestic companies owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company; and (iii) that no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

SAFE REGISTRATION IN CHINA

Pursuant to the SAFE Circular 37, (a) a PRC resident must register with the local SAFE counterpart before contributing assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by such PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE counterpart for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

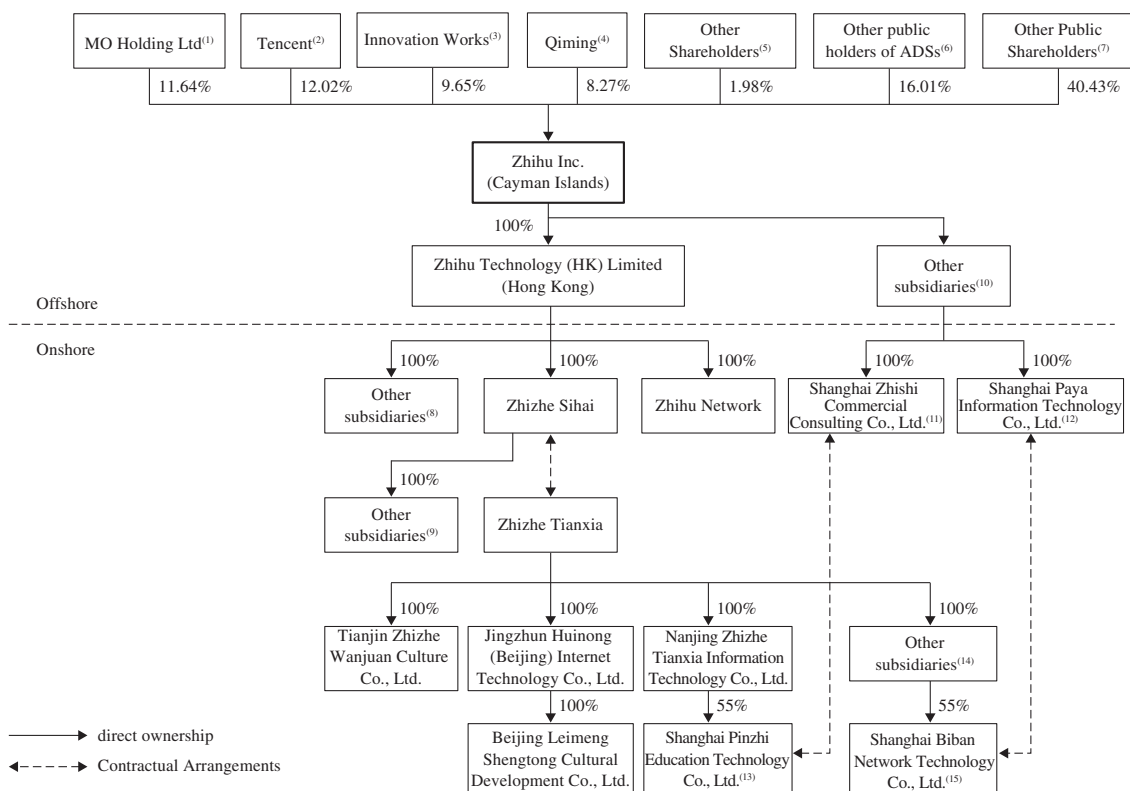
Pursuant to the SAFE Notice 13, the power of foreign exchange registration was delegated from the local SAFE counterpart to qualified local banks where the domestic entity was incorporated.

As advised by our PRC Legal Advisor, Mr. Zhou, Mr. Dahai Li and four other individuals, who indirectly hold Shares of our Company and are known to us as being PRC citizens, have completed the registration under the SAFE Circular 37.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the Global Offering:



Notes:

- (1) MO Holding Ltd is a company incorporated in the British Virgin Islands. More than 99% of the interest of MO Holding Ltd is held by South Ridge Global Limited, which is in turn wholly-owned by a trust that was established by Mr. Zhou (as the settlor) for the benefit of Mr. Zhou and his family. The remaining interest of MO Holding Ltd is held by Zhihu Holdings Inc., which is wholly-owned by Mr. Zhou.
- (2) Comprising of: (a) 20,457,894 Class A Ordinary Shares held by Dandelion Investment Limited, a company incorporated in the British Virgin Islands and a subsidiary of Tencent; (b) 10,617,666 Class A Ordinary Shares held by Image Frame Investment (HK) Limited, a company incorporated in Hong Kong and a subsidiary of Tencent; and (c) 6,991,039 Class A Ordinary Shares held by Sogou Technology Hong Kong Limited, a company incorporated in Hong Kong and a subsidiary of Tencent.
- (3) Comprising of, immediately prior to the completion of the Global Offering: (a) 23,011,491 Class A Ordinary Shares held by Innovation Works Development Fund.L.P. and (b) 7,556,558 Class A Ordinary Shares held by Innovation Works Holdings Limited (inclusive of Shares underlyings ADSs held by them). Immediately after the completion of the Global Offering, Innovation Works Development Fund.L.P. and Innovation Works Holdings Limited will hold 17,365,491 and 5,702,558 Class A Ordinary Shares (inclusive of Shares underlyings ADSs held by them), respectively. Innovation Works Development Fund.L.P. is a fund organized under the laws of the Cayman Islands. The general partner of Innovation Works Development Fund.L.P. is Innovation Works Development Fund GP, L.P., whose general partner is Innovation Works Development Fund GP, LLC. Innovation Works Development Fund GP, LLC is beneficially owned by Peter Liu and Kai-Fu Lee. Innovation Works Holdings Limited, a company incorporated in the British Virgin Islands, is wholly owned by Kai-Fu Lee.
- (4) Comprising of, immediately prior to the completion of the Global Offering: (a) 21,522,109 Class A Ordinary Shares held by Qiming Venture Partners III, L.P., (b) 3,995,229 Class A Ordinary Shares held by Qiming Venture Partners III Annex Fund, L.P., and (c) 678,260 Class A Ordinary Shares held by Qiming Managing Directors Fund III, L.P. (inclusive of Shares underlyings ADSs held by them). Immediately after the completion of the Global Offering, Qiming Venture Partners III, L.P., Qiming Venture Partners III Annex Fund, L.P., and Qiming Managing Directors Fund III, L.P. will hold 18,851,909, 3,499,629 and 594,060 Class A Ordinary Shares (inclusive of Shares underlyings ADSs held by them), respectively. Qiming Venture Partners

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

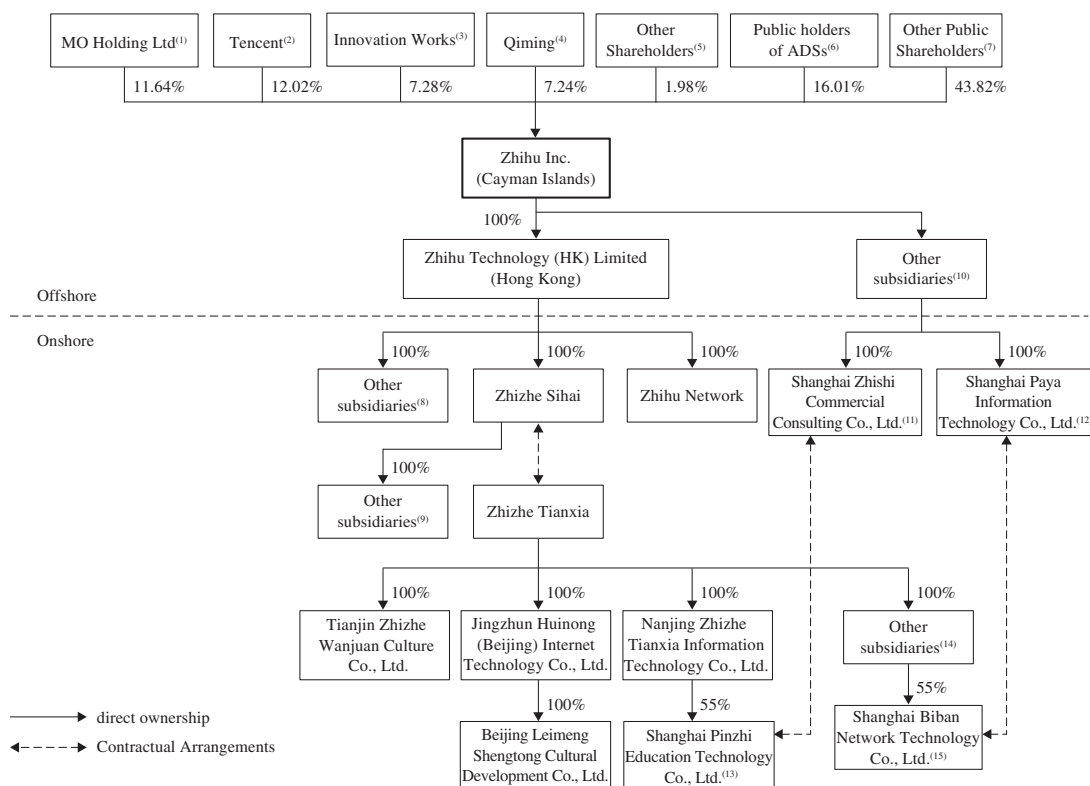
- III, L.P., Qiming Managing Directors Fund III, L.P., and Qiming Venture Partners III Annex Fund, L.P. are exempted limited partnerships organized under the laws of the Cayman Islands and are beneficially owned by Qiming Corporate GP III, Ltd., an exempted company incorporated in the Cayman Islands.
- (5) Comprising of Shares held by our Directors other than Mr. Zhou. See “Statutory and General Information—Further Information about Our Directors—Disclosure of Interests” in Appendix IV for details.
 - (6) Represents the 50,720,574 Class A Ordinary Shares underlying the ADSs held by our public holders of ADSs (excluding those accounted for in (3)-(5) above), assuming there is no change in such share number between the Latest Practicable Date and the Listing Date.
 - (7) Represents an aggregate of 128,055,677 held by other public Shareholders.
 - (8) Namely:
 - (a) Zhizhe Sihai (Nanjing) Technology Co., Ltd., which is directly wholly-owned by Zhihu Technology (HK) Limited;
 - (b) Zhinan Xingyi (Nanjing) Technology Co., Ltd., which is directly wholly-owned by Zhihu Technology (HK) Limited;
 - (c) Zhizhe Wanjuan (Nanjing) Technology Co., Ltd., which is directly wholly-owned by Zhizhe Sihai (Nanjing) Technology Co., Ltd.;
 - (d) Zhinan Erjin (Nanjing) Technology Co., Ltd., which is directly wholly-owned by Zhizhe Sihai (Nanjing) Technology Co., Ltd.; and
 - (e) Ningbo Zhiwu Technology Co., Ltd., which is directly wholly-owned by Zhizhe Sihai (Nanjing) Technology Co., Ltd.
 - (9) Namely:
 - (a) Chengdu Zhizhe Wanjuan Technology Co., Ltd., which is directly wholly-owned by Zhizhe Sihai; and
 - (b) Zhizhe Information Technology Services Chengdu Co., Ltd., which is directly wholly-owned by Zhizhe Sihai.
 - (10) Namely:
 - (a) Zhihu Investment Holding Ltd, a company with limited liability incorporated under the laws of the BVI, which is directly wholly-owned by the Company;
 - (b) Zhihu Investment SP Ltd, a company with limited liability incorporated under the laws of the BVI, which is directly wholly-owned by Zhihu Investment Holding Ltd;
 - (c) Zhihu Investment EDU Holding Ltd, a company with limited liability incorporated under the laws of the BVI, which is directly wholly-owned by Zhihu Investment Holding Ltd;
 - (d) Zhihu Investment PP Ltd, a company with limited liability incorporated under the laws of the BVI, which is directly wholly-owned by Zhihu Investment EDU Holding Ltd;
 - (e) Zhihu Investment PZ Ltd, a company with limited liability incorporated under the laws of the BVI, which is directly wholly-owned by Zhihu Investment EDU Holding Ltd;
 - (f) Yincheng Limited, a company with limited liability incorporated under the laws of the Cayman Islands, which is directly owned by Zhihu Investment PP Ltd as to 55%. Its remaining equity interests are ultimately owned by Changjian Ma and Wenjing Zhao, who are independent third parties of the Company, as to 27% and 18%, respectively;
 - (g) Prez Limited, a company with limited liability incorporated under the laws of the Cayman Islands, which is directly owned by Zhihu Investment PZ Ltd as to 55%. Its remaining equity interests are ultimately owned by Sike Li and Lingtao Zhang, who are independent third parties of the Company, as to 33.75% and 11.25%, respectively; and
 - (h) Pzacademy Limited, a company with limited liability incorporated under the laws of Hong Kong, which is directly owned by Prez Limited; and
 - (i) Papaenglish Limited, a company with limited liability incorporated under the laws of Hong Kong, which is directly owned by Yincheng Limited.
 - (11) Shanghai Zhishi Commercial Consulting Co., Ltd. is wholly-owned by Pzacademy Limited. It has a direct wholly-owned subsidiary, Shanghai Zhiyao Commercial Consulting Co., Ltd..
 - (12) Shanghai Paya Information Technology Co., Ltd. is wholly-owned by Papaenglish Limited.
 - (13) The registered shareholders of Shanghai Pinzhi Education Technology Co., Ltd. are Nanjing Zhizhe, Sike Li and Lingtao Zhang, each holding 55%, 35% and 10% of the equity interest therein. Sike Li and Lingtao Zhang are independent third parties of the Company.
 - (14) Namely:
 - (a) Nanjing Zhizhu Technology Co., Ltd., which is wholly-owned by Zhizhe Tianxia;
 - (b) Nanjing Zhihao Technology Co., Ltd., which is wholly-owned by Nanjing Zhizhu Technology Co., Ltd.; and
 - (c) Nanjing Zhixin Technology Co., Ltd., which is wholly-owned by Nanjing Zhizhu Technology Co., Ltd.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(15) The registered shareholders of Shanghai Biban Network Technology Co., Ltd. are Nanjing Zhixin Technology Co., Ltd., Changjian Ma and Wenjing Zhao, each holding 55%, 27% and 18% of the equity interest therein. Changjian Ma and Wenjing Zhao are independent third parties of the Company. Shanghai Biban Network Technology Co., Ltd. wholly-owns the following subsidiaries: Shanghai Yinlang Information Technology Co., Ltd., Shanghai Yinzen Information Technology Co., Ltd., Shanghai Yinzi Information Technology Co., Ltd., Shanghai Yincheng Information Technology Co., Ltd., Shanghai Yinlu Information Technology Co., Ltd., Shanghai Yinjia Information Technology Co., Ltd., Shanghai Yinxi Information Technology Co., Ltd., Shanghai Yinqian Information Technology Co., Ltd., Shanghai Yinhao Information Technology Co., Ltd., Shanghai Pa Ya Information Technology Co., Ltd. and Chongqing Paya Education Technology Co., Ltd.. As of the Latest Practicable Date, Shanghai Yinzen Information Technology Co., Ltd., Shanghai Yinzi Information Technology Co., Ltd., Shanghai Yincheng Information Technology Co., Ltd., Shanghai Yinlu Information Technology Co., Ltd., Shanghai Yinjia Information Technology Co., Ltd., Shanghai Yinxi Information Technology Co., Ltd., Shanghai Yinqian Information Technology Co., Ltd., Shanghai Yinhao Information Technology Co., Ltd., Shanghai Pa Ya Information Technology Co., Ltd. and Chongqing Paya Education Technology Co., Ltd. (together, the “**Biban Entities**”) were in the process of being transferred to become wholly-owned subsidiaries of Shanghai Paya Information Technology Co., Ltd. and such intra-group transfers were not yet completed. We have undertaken to the Stock Exchange to complete such intra-group transfers within four months following the Listing. See “Contractual Arrangements — PRC laws and regulations relating to foreign ownership restrictions — Biban Entities” for further details.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion the Global Offering:



Notes (1)-(15): See Notes (1)-(15) in preceding pages under the section headed “—Our Structure immediately prior to the Global Offering.”

OVERVIEW

Zhihu is a leading online content community where people come to find solutions, make decisions, seek inspiration, and have fun. Zhihu is one of the top five comprehensive online content communities and the largest Q&A-inspired online community in China, both in terms of average mobile MAUs and revenue in 2019, 2020, and 2021, according to CIC.

On Zhihu, our users explore and enjoy content that broadens horizons, provides solutions, and resonates with minds, which we refer to as “fulfilling content” (有獲得感的內容), ranging from daily life choices such as the television or mobile phone, an inspirational holiday hide-away, a puzzle book, or a reality show, to sophisticated knowledge or unique experience such as learning about the Tiangong space station or visiting a 2022 Winter Olympics venue, and to bigger decisions such as a college or a good exam preparation program, career choices, or managing a relationship or expecting a baby. A full spectrum of our comprehensive content appeals to an ever growing user base and content creators, who have come to Zhihu to share their knowledge, experience, and insights.

Zhihu is a leading online content community. In the fourth quarter of 2021, Zhihu had 99.6 million average mobile MAUs, 500 million average monthly viewers, and 390 million average monthly engagements. As of December 31, 2021, Zhihu had 55 million cumulative content creators, who had contributed 420 million cumulative Q&As covering over 1,000 verticals. Our revenue increased from RMB670.5 million in 2019 to RMB1.4 billion in 2020, and further to RMB3.0 billion (US\$464.4 million) in 2021, representing a CAGR of 110.1% from 2019.

Launched in 2010, we have been dedicated to expanding our content and service offerings to meet the diverse needs of our users, content creators, and business partners. A content-centric business model has been formed during our development and continues to evolve. We have grown from a Q&A community into one of the largest comprehensive online content communities in China. We are among the first several industry players to offer paid memberships and developed content-commerce solutions for merchants and brands, according to CIC. We continue to leverage our content-centric business model and launch new monetization channels such as offering vocational training and e-commerce related services. However, we believe that we are still at an early stage of monetization with significant runway for growth across a span of monetization channels.

The Zhihu model is centered around a virtuous cycle that seeks to achieve a content equilibrium between what our content creators contribute and what our users consume. We continually reinforce Zhihu with its technological foundation and we seek to achieve optimal monetization and deliver value to our shareholders and other stakeholders.

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Our users and content creators actively interact with each other and share knowledge, experience, and insights, forming a content ecosystem spanning a wide range of verticals and topics across diverse content forms. Our deep content and user insights play an essential role in optimizing user experience and maintaining robust community governance, which reinforces our community culture of sincerity, expertise, and respect (認真、專業、友善). Our sound community culture and strong brand further strengthen our content ecosystem, which attracts and retains more users and content creators to our community. Our superior technology infrastructure supports our business in various aspects, from understanding our users and content quality, promoting fulfilling content and user engagement, nurturing our community, to enhancing our content and service offerings and forging a strong brand. As we continue to enhance user experience and serve our users, content creators, and business partners, we have established diverse and expanding content-centric monetization channels. This self-reinforcing cycle has been emerging with our growth and solidify our leaderships.

- ***Our Content.*** We believe that the quality of Zhihu content is vital to our business. We relentlessly strive to enhance the quality of the Zhihu content through better understanding of our content creators and deeper comprehension of the Zhihu content. Leveraging our years of accumulation of the Zhihu content, we consider content that broadens horizons, provides solutions, and resonates with minds to be “fulfilling content.” We strive to understand why such content is fulfilling through our evolving and developing technological capabilities so that we can maintain and further enhance the fulfillment of the Zhihu content. We believe that this “fulfillment” approach that helps us better comprehend our content, combined with our TopicRank algorithms that help us better comprehend content through the understanding of content creators, could deepen our capability to manage our content operations. As of December 31, 2021, our community had 490 million cumulative pieces of content, including 420 million cumulative Q&As, covering over 1,000 verticals and 1.8 million topics. From time to time, we launch various initiatives and campaigns to further enhance the depth, breadth, and relevance of the Zhihu content. For example, we seek to become a popular destination for timely content inviting in-depth discussion of trending events, which further encourages a high level of content creation and user engagement.
- ***Our Users.*** We have amassed a fast growing, diverse, and highly engaged user base. Zhihu had 99.6 million average mobile MAUs in the fourth quarter of 2021, representing a 38.1% year-over-year increase. Our content has enabled us to expand our user base rapidly at low cost, while maintaining high user engagement and loyalty. In the fourth quarter of 2021, our daily active users opened the Zhihu app an average of approximately 6 times per day and generated 390 million average monthly engagements. For our YanPlus users, the average 12th-month retention rate in 2020 was 73%.

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- ***Our Content Creators.*** The Zhihu brand has inspired our users to contribute and become content creators. We provide multiple tools and utilities for content creators to contribute to our community. In return, content creators can have fulfilling experience in their creative works, receive recognition in our community and beyond, and be rewarded financially through multiple channels. Our cumulative content creators reached 55 million as of December 31, 2021. In the fourth quarter of 2021, Zhihu had 2.7 million average monthly active content creators, and 13 million average monthly pieces of content were created. Our users and content creators complement each other, sharing their collective intelligence to create a marketplace of answers.
- ***Our Community.*** Through years of content operations, we have cultivated a community culture of sincerity, expertise, and respect (認真、專業、友善). We have established and been iterating a set of community governance system overseen and implemented by our experienced community management team. Equipped with our proprietary know-how and AI-powered content assessment algorithms, our community management team promptly and effectively identifies and responds to inappropriate content to enhance user experience and maintain community culture. In addition, we enable users to safeguard an open and inclusive environment through content quality improvement process and dispute review process. By optimizing user experience, our community fosters a healthy environment for vibrant content creation, which in turn strengthens our community culture.
- ***Our Brand.*** The Zhihu brand fosters a vibrant online community where fast-growing users and content creators are eager to contribute and engage while respecting diversity and valuing constructiveness, which further optimizes our user and content creator experience. We also believe that our brand strength can help with the monetization through branded merchandise and IP monetization on the Zhihu platform. The Zhihu brand is proven instrumental in further enhancing our user growth, content quality, and monetization.
- ***Our Monetization.*** The ever-growing Zhihu content provides us with an avenue for monetization. Over time, our content-centric monetization channels have expanded to include online advertising, paid membership, content-commerce solutions, vocational training, and other services such as e-commerce related services. We are the first to have launched integrated content-commerce solutions at scale, and the largest among online content communities in terms of revenue generated from integrated content commerce solutions in 2020 and 2021, according to CIC. In addition, we are the first and remains as of the date of this prospectus the only Q&A-inspired online community to have launched a subscription-based paid membership program, and the largest in terms of paid membership revenue among Q&A-inspired online communities in 2020 and 2021, according to CIC. As we are still at an early stage of monetization, we incurred operating losses and net operating cash outflows during the Track Record Period. We plan to further improve the capabilities of our current monetization channels by improving the effectiveness of

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online advertising based on more accurate distribution to appropriate users and more diverse content products, expanding our premium content library for paid membership services, and providing merchants and brands with better content-centric marketing solutions and higher marketing effectiveness. We also plan to diversify our revenue streams by identifying opportunities and implementing new initiatives in content space to fulfill the needs of our users while generating commercial value for content creators and business partners. As we continue to expand the Zhihu product offerings and enhance content quality to satisfy the diverse user needs, we deepen our monetization and will continue to launch more monetization channels, enabling us to create and deliver value to our shareholders and other stakeholders.

- ***Our Technology.*** Our superior technological infrastructure supports our content operations. We are the only online Q&A community in China to adopt topic ranking algorithms to assess the quality of content based on analysis of users' credentials and community engagements, according to CIC. Our AI-powered TopicRank algorithms assess a user's credentials and engagement through, and to the extent of, all relevant information about the user available to Zhihu, including the relevance and popularity of the content, the user information voluntarily and lawfully provided to Zhihu, the content created by the user, the engagement by the user in the Zhihu community, the engagement by other users with the user in the Zhihu community, and whether the user has been recognized by Zhihu as a reputable expert in a particular field already. All users' credentials and engagements thus will be assessed and continually updated. We believe that our TopicRank algorithms and our "fulfillness" approach, which we are currently developing, could enhance our capability to manage content operations. Our feed recommendation and search systems are continually optimized to prioritize distribution of relevant content to enhance user experience, allowing us to recommend the most desirable content to appropriate users. Our question routing system accurately distributes questions to relevant users to encourage content creation. Our content filtering system and anti-spamming system help ensure content appropriateness and a healthy community environment.

During the Track Record Period, we achieved significant business growth yet incurred net loss and net operating cash outflow, primarily attributable to our content-related cost that helped build our rich content library, sales and marketing expenses for promotional and advertising activities, and research and development expenses to enhance technological infrastructure. Our revenue increased from RMB670.5 million in 2019 to RMB1.4 billion in 2020, and further to RMB3.0 billion (US\$464.4 million) in 2021, representing a CAGR of 110.1% from 2019. Our gross profit increased from RMB312.3 million in 2019 to RMB757.8 million in 2020, and further to RMB1.6 billion (US\$243.8 million) in 2021. Our net loss was RMB1.0 billion in 2019, RMB517.6 million in 2020, and RMB1.3 billion (US\$203.8 million) in 2021. We had net operating cash outflows of RMB715.5 million, RMB244.4 million, and RMB440.2 million (US\$69.1 million) in 2019, 2020, and 2021, respectively. We expect to continue incurring net loss and net operating cash outflow in the near future as we continue to

strategically incurred expenditures to build up and expand our content ecosystem to further enhance Zhihu's content quality and content portfolio, promote community culture and user engagement, and solidify organic growth.

OUR INNOVATIONS

Our comprehensive content is continually enriched by our content creators with systematic support from our content operations, enabling us to maintain high user engagement and loyalty and further reinforcing Zhihu's reputation as a leading online content community. We believe that our current achievement stems from our first-mover advantage and sustainable leadership position, our in-depth innovative technology that motivates the creation of content offering a sense of fulfillment and reinforcing community values and features, our content-centric monetization business model, as well as the applications of new technology that are tailored for our business model.

Our first-mover advantage and sustainable leadership position

Since our inception in 2010, we have been committed to building a trusted online content community, and establishing our sustainable leadership position despite facing strong entry barriers leveraging our high-value and long-lasting content that offers a sense of fulfillment, together with our community culture of sincerity, expertise and respect. We are the largest Q&A-inspired online community and one of the top five comprehensive online content communities in China, both in terms of average mobile MAUs and revenue in 2020 and 2021, according to CIC.

In-depth innovations motivate the creation of content offering a sense of fulfillment and reinforcing community values and features

We work tirelessly to build Zhihu into a trusted content community by providing content that offers a sense of fulfillment. Since our inception, users and content creators on Zhihu have continuously developed the Zhihu community and its unique content ecosystem. Such ecosystem reinforces our culture and promotes our values, and in turn, our culture and values have attracted and retained more users and content creators. This virtuous cycle of self-reinforcing allows us to gather the collective intelligence from tens of millions of users and content creators, forming the "collective intelligence" that provides a fulfilling Zhihu experience. By utilizing AI-powered technology to improve its content structure and refining the content assessment criteria, Zhihu never ceases to provide its users with content that offers a sense of "fulfillment". It is our belief that such approach does not only strengthen the trust among users, content creators and the Zhihu community, but also acts as a key factor in enhancing Zhihu's unique market position and further strengthening its leadership position in the long run.

Our innovative content-centric monetization business model

We monetize the rich content and user participation on the Zhihu platform to grow our business. Through our content-centric monetization model, we have become a pioneer in adopting an innovative monetization model in the online content community. For instance, being the first to launch large-scaled integrated content commerce solutions, we ranked first among the Q&A-inspired online communities in terms of revenue generated from integrated content-commerce solutions in 2020 and 2021, according to CIC. In addition, we are the first and remain as of the date of this prospectus the only Q&A-inspired online community to have launched a subscription subscription-based paid membership program. We are also the largest Q&A-inspired online community in China in terms of paid membership revenue in 2020 and 2021, according to CIC.

Applications of new technology that are tailored for our business model

We are the only Q&A-inspired online community in China to adopt topic ranking algorithms to assess the quality of content based on analysis of users' credentials and community engagements, according to CIC. We apply our self-developed TopicRank algorithms as the technological foundation of the Zhihu platform in order to enhance its reliability and credibility. Furthermore, we are the first Q&A-inspired online community that launches a question routing system and a feed recommendation system in China, and one of the first Q&A-inspired online communities that launches an AI monitoring system and an anti-spamming system in China.

OUR STRENGTHS

We believe that the following strengths contribute to our current achievement and differentiate us from our peers.

Leading online content community

We are a leading online content community where people come to share knowledge, experience, and insights, and to find their own answers. We are one of the top five comprehensive online content communities and the largest Q&A-inspired online community in China, both in terms of average mobile MAUs and revenue in 2019, 2020, and 2021, according to CIC. Inspired by the community culture of sincerity, expertise, and respect (認真、專業、友善), Zhihu has amassed the collective intelligence of tens of millions of users in our unique community, creating a marketplace of answers. As of December 31, 2021, we had 55 million cumulative content creators who had contributed 420 million Q&As. Our 99.6 million average mobile MAUs in the fourth quarter of 2021 generated 390 million average monthly engagements within our vibrant community during the same period.

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Zhihu is recognized as the most satisfactory online content community in China in terms of user experience, according to the CIC Survey. We are also recognized as the first choice among all online content communities in China where people look for information to make decisions or find answers, according to the CIC Survey. In 2021, we were included in the BrandZ Top 100 Most Valuable Chinese Brands, which serves as testimony to our brand value.

Ever-growing user-generated content

We are committed to the promotion of content on Zhihu. As of December 31, 2021, our community had 490 million cumulative pieces of content including 420 million Q&As, representing a year-over-year growth of 39% and 34%, respectively. In the fourth quarter of 2021, 13 million average monthly pieces of content were created, representing a CAGR of 32.8% from the fourth quarter of 2019.

Leveraging our deepened comprehension of content through our “fulfillness” approach, which we are currently developing, and our comprehension of content through the understanding of content creators through TopicRank algorithms, we continue to inspire content on Zhihu and deliver satisfactory user experience, which are vital to our business. From time to time, we launch various initiatives and campaigns to further enhance the depth, breadth, and relevance of the Zhihu content. For example, we seek to become a popular destination for such timely content, which further encourages a high level of user engagement.

Our content creators receive recognition in our community and beyond, and are rewarded financially through multiple channels. As a result, the Zhihu content is continually enriched. Our cumulative content creators reached 55 million as of December 31, 2021. We had 2.7 million average monthly active content creators in the fourth quarter of 2021.

Fast growing, diverse, and highly engaged user base

Our user base has experienced significant growth. Our average mobile MAUs increased by 35.9% and 38.1% year over year in the fourth quarter of 2020 and 2021, respectively. Our content attracts new users to our community, enabling us to achieve a massive user reach and fast user growth. Our content community is extensively accessible, with 500 million average monthly viewers and 2.4 billion average monthly effective page views directed from social media and search engines in the fourth quarter of 2021. For our YanPlus users, the average 12th-month retention rate in 2020 was 73%.

We have a diverse yet balanced user base. For example, for our active users in December 2021, 47% are female; 48%, 21%, and 31% are in tier 1 and new tier 1 cities, tier 2 cities, and other cities, respectively; and 75% are aged below 30.

Active user engagement and loyalty result from our content, proven community governance system, community culture, and strong brand. In the fourth quarter of 2021, our daily active users opened the Zhihu app an average of approximately 6 times per day, and generated 390 million average monthly engagements.

Innovative and scalable content-centric monetization

Our deep understanding of content and users enables us to pursue innovative and scalable content-centric monetization. Zhihu has been accumulating content for over a decade, based on which we have been iterating our “fulfillness” approach and our TopicRank algorithms. Over time, we have been rolling out various content-centric monetization channels commensurate with our content operations. For example, with respect to our paid membership, the paying ratio increased from 4.0% in the fourth quarter of 2020 to 5.9% in the fourth quarter of 2021, and the number of average monthly subscribing members increased from 3.0 million in the fourth quarter of 2020 to 6.1 million in the fourth quarter of 2021. In addition, our content-commerce solutions unlock commercial value of our content for merchants and brands with enhanced marketing efficiency. According to the CIC Survey, most of our clients consider content-commerce solutions to be effective marketing solutions and help merchants and brands build a cumulative content portfolio for branding. In 2021, content-commerce solutions revenue reached RMB974.0 million, representing over a 600% year-over-year increase. We are well positioned to scale our monetization by identifying opportunities and implementing new initiatives in content space to fulfill the needs of our users while generating commercial value for content creators and business partners. We launched our vocational training in 2020 to fulfill our users’ strong demand for vocational and professional learning. We leverage our vast content portfolio and collaborate with or acquire education service providers to deliver vocational training courses to our users. We believe that our new products and services represent valuable supplements to our current service offerings. We still have a long runway for further growth from our diversifying monetization channels, with more to come in the future.

Superior technological capability and innovation

We have applied data-empowered algorithms and systems to key aspects of our business. Our TopicRank algorithms assess content through the understanding of content creators by taking into account both content creators’ and other users’ credentials and engagements, aiming to identify capable content creators. A massive amount of proprietary data has been accumulated for over a decade, fueling the continued iteration of TopicRank algorithms through machine learning and our content operations team’s manual override based on their rich experience. Our deepened comprehension of content through the understanding of content creators derived from the “fulfillness” approach provides additional guidance to balance user preferences and intrinsic value of content.

We have various other technologies to enhance our operation efficiency and user experience. Our question routing system ensures that questions are distributed to the most suitable content creators, so that in-depth thinking is triggered and answers are subsequently delivered. Our AI-powered search engine and personalized recommendation system efficiently distribute content of interest to our users, which lead to improved user engagement and belongingness. Our monitoring and anti-spamming systems promptly identify and respond to inappropriate content and user misbehavior, ensuring a healthy and friendly community culture. Our productivity tools significantly enhance the efficiency of content creation.

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Visionary management team supported by talented employees

We benefit from the leadership of Mr. Yuan Zhou, our founder, chairman, and chief executive officer, and other members of the senior management team with rich experience in the online content industry. Mr. Zhou has outstanding acumen and vision for online content communities. He also has deep passion for content and is committed to building Zhihu as a leading online content community in China. Through our operating history of over a decade, our management team has fostered a corporate culture that highly values innovation, professionalism, and inclusiveness. Under the leadership of our visionary and experienced management team, we are committed to bringing superior Zhihu experience to the Chinese internet community. Our management team is supported by talented employees with diverse backgrounds, who complement each other with their unique industry experience. They form the backbone of Zhihu. The commitment and creativity of our management team will ensure the long-term growth of Zhihu.

OUR STRATEGIES

We are committed to reinforcing our unique position as a leading online content community by pursuing the following strategies.

Enhance content offerings and empower content creators

We will continue to uphold a high standard to inspire more fulfilling content to enhance user experience and our strong brand. To better cultivate our content ecosystem in the long run, we will continue to strengthen our capabilities to identify new features and values that define content through the interplay and iteration of our “fulfillness” approach and our TopicRank algorithms. In addition, we will continue to diversify the representation of Zhihu product in the content space catering to users’ differentiated needs from time to time. For example, we will continue to encourage the creation of multi-format content and promote timely content covering trending events, to further build a vibrant and ever-growing content portfolio for our broad and diverse user base.

We will continue to convert content creators from our growing user base and discover and attract new content creators. In addition, we plan to continue to facilitate content creators by developing more innovative and technology-enhanced productivity tools. Furthermore, we will continue to provide our content creators with ongoing assistance and support through enhanced community recognition and monetization opportunities.

Attract and retain our users

We will expand our user base and improve our user retention through our ever-growing, and diverse content, strong brand, and superior user experience. In addition, we will also maintain our cost-effective user growth strategies by deploying multi-dimensional user acquisition, such as pre-installations on mobile devices, traffic support from third-party search engines, and scenario-oriented campaigns. Scenario-oriented campaigns could include a wide

range of events of interest, such as the Olympic games or college entrance exams, to help us approach trending events from time to time to facilitate user growth. Our continued focus on content will nurture a self-reinforcing content community to attract and retain users of diverse backgrounds.

Cultivate our culture and brand

We will continue to reinforce our strong brand image and a community culture of sincerity, expertise and respect (認真、專業、友善). Our ever-growing content and our fast-growing, diverse user base are the foundation of our vibrant Zhihu community. We will continue to promote targeted marketing and launch themed campaigns and activities to solidify our brand image and reputation as a leading online content community.

Enhance and evolve our monetization capabilities

We will continue to grow our user base and deepen our monetization. Over the years, we have established a strong track record of successfully identifying and developing new content-centric monetization channels. We will further promote more innovative content-commerce solutions and online advertising and better facilitate connection between merchants and brands, content creators, and users to facilitate the creation and accumulation of commercial content to better address the evolving needs of merchants and brands. We also plan to increase the paying ratio of our paid membership program by offering a wider variety of premium content.

Leveraging our content, we will continue to execute and strengthen new monetization channels in the content space such as vocational training and e-commerce as paths for growth in the near term. We believe that our content-centric monetization is still at an early stage with a long runway for growth. We will continue to explore other exciting opportunities and develop existing monetization channels that enhance our values to our ever-growing user base.

Strengthen our technology capabilities

We will continue to develop our in-house technological infrastructure to empower key aspects of our business. We will continue to optimize our TopicRank algorithms through our ever-growing content and accumulated content creator and user engagement data. We also will continue to apply our technological capabilities, including artificial intelligence, natural language processing, and machine learning, to further develop our “fulfillness” approach. We plan to strengthen our algorithms, big data analytics, and AI technologies to refine question routing, feed recommendation, and search systems. We also plan to enhance our content monitoring and anti-spamming systems to ensure a healthy community and optimize user experience. We plan to further invest in new technologies and attract research and development talents to further enhance user experience, which will increase our monetization capabilities and support our new initiatives.

Pursue strategic investments and acquisitions

We plan to selectively pursue strategic investments and acquisitions along the content value chain such as content supply and content operation capabilities, and to identify opportunities that can create synergies for our content, community, or technology. As of the Latest Practicable Date, we had not identified any potential acquisition targets and did not have any ongoing negotiations relating to potential acquisitions.

ZHIHU CONTENT

The comprehensive Zhihu content is continually enriched by our content creators with systematic support from our content operations, reinforcing Zhihu's reputation as a leading online content community.

Content Offerings

We are a UGC-based online content community, where content creators contribute a wealth of knowledge, experience, and insights. The Zhihu content is presented in various forms and features such as Q&As, articles, videos, live streaming, and groups. Our community had 490 million cumulative pieces of content as of December 31, 2021, including 420 million Q&As. The comprehensive Zhihu content encompasses over 1,000 verticals and covers 1.8 million topics. Popular categories include consumer digital, movies and videos, lifestyle and fashion, mother and baby care, arts and science, education, sports and games, business and finance, and automobiles, among others. Various distribution channels are available for users to effectively and efficiently explore the Zhihu content, such as feeds, searches, trending topics (熱榜), and follows. As a comprehensive online content community, we seek to maintain a diverse content portfolio. In 2019, consumer goods, popular science, entertainment, education, technology and internet, and business and finance accounted for 34%, 21%, 21%, 6%, 4%, and 6% of our total page views. In 2020, consumer goods, popular science, entertainment, education, technology and internet, and business and finance accounted for 32%, 22%, 23%, 8%, 5%, and 4% of our total page views. In 2021, consumer goods, popular science, entertainment, education, technology and internet, and business and finance accounted for 31%, 22%, 21%, 8%, 5%, and 5% of our total page views.

The Zhihu content is primarily organized in the Q&A form, as we believe that Q&A is an intuitive and efficient way to inspire and facilitate discovery, learning, discussion, and engagement. A question may become trending immediately attracting a string of answers of different lengths, styles, and perspectives. A question may also remain relevant over a long period of time, with answers accumulating, reflecting timeless value of such content. As we accumulate experience in comprehending content through our “fulfillness” approach and understanding users and content creators through TopicRank algorithms, we are able to effectively facilitate creation of our content and its distribution to users for consumption. In addition to Q&As, the Zhihu content can be contributed in the form of articles to facilitate more focused discussions in particular fields and to build systematic knowledge graphs. Users can also form and join groups to explore their commonality.

Video content is an extension to our text- and image-based content portfolio as evidenced by an 32% year-over-year increase of average monthly active video content creators and a 69% year-over-year increase of daily active users who have watched videos on Zhihu in the fourth quarter of 2021. As of December 31, 2021, Zhihu had 22.8 million pieces of video content.

Aside from the Zhihu content available to all users, we offer a paid Yan Selection (鹽選) membership program where we curate premium content for our subscribing members. The premium content primarily consists of works contributed by professional or experienced content creators and works licensed by third parties. As of December 31, 2021, the Yan Selection membership program provides access to 3.9 million pieces of premium content, such as fictions and novels, other books and magazines, live and recorded lectures, and audio books, serving a wide range of users who view for pleasure, look to acquire knowledges and skills, and search for credible references. We diligently expand and curate premium content offerings to satisfy the demand of our increasing subscribing members, which incentivizes the growth of our subscribing members and strengthens our brand image.

Content Operations

We relentlessly strive to enhance the quality of the Zhihu content through our efforts in comprehending the Zhihu content and understanding our content creators. We strive to understand why the “fulfilling content” is fulfilling through our evolving and developing technological capabilities so that we can maintain and further enhance the fulfillment of the Zhihu content. We believe that this “fulfillment” approach, which we are currently developing, combined with our TopicRank algorithms, could deepen our comprehension of the Zhihu content, which fuels all aspects of our business.

We continually iterate TopicRank algorithms over time to enhance our understanding of content creators to help us comprehend our content ecosystem. As content creators continue to contribute content on Zhihu, our TopicRank algorithms continually assess content through the understanding of content creators based on their contributions and engagements as well as other users’ engagements with their contributions. A content creator can be perceived as an expert by our TopicRank algorithms in a field, large or small, and generally receives more weight in that field for future assessment. The content quality is not merely determined by the popularity or the number of upvotes of the contents. The TopicRank algorithms assess the quality of content based on all relevant information available to Zhihu, including the relevance and popularity of the content, user information voluntarily and lawfully provided to Zhihu, the content created by the user, the engagement by the user in the Zhihu community, the engagement by other users with the user in the Zhihu community, and whether the user has been recognized by Zhihu as a reputable expert in a particular field already. All such relevant information thus will be assessed and continually updated. The TopicRank algorithms would not consider a piece of content to be of higher quality merely because such content receives a higher number of upvotes, and vice versa. Our content portfolio and accumulated user engagement data optimize TopicRank through iterations. These continuing iterations create a virtuous cycle to enhance the quality of Zhihu content through our continually refined understanding of content creators, which contributes to the effective creation, distribution, and consumption of content on Zhihu.

In addition, we have been further deepening our comprehension of the content ecosystem by revealing the intrinsic value of the Zhihu content through what we refer to as the “fulfillness” approach. Through our years’ of relentless work to enhance user experience, we become aware that users love the Zhihu content because such content broadens horizons, provides solutions, and resonates with minds. This deepened comprehension is continually iterated through input from our operations and technology teams. We leverage a technology-driven approach to optimize the operation of such content and follow up to re-assess such content. We will continue to apply our technological capabilities, including artificial intelligence, natural language processing, and machine learning to further develop our “fulfillness” approach.

As the foundation of the Zhihu model is a content equilibrium between what our content creators contribute and what our users consume, our content operations rely on our overall comprehension of content through our “fulfillness” approach and the understanding of content creators leveraging TopicRank algorithms.

From time to time, we launch various initiatives and campaigns to further enhance the depth, breadth, and relevance of the Zhihu content. We currently focus on promoting timely content, which covers a wide spectrum of trending events to satisfy our diverse user base. We have a dedicated content operations team facilitating the content creation and distribution relating to the most notable events from time to time. We also utilize AI-powered technologies to produce and supplement relevant questions, allowing users to easily explore trending events of interest. We collaborate with various media to ensure our content covers popular events to the interest of the general public from time to time.

As questions can stimulate discussions among users and inspire content creators, we have years of experience in identifying and promoting worthwhile questions and then using an AI-powered question routing system to invite users to answer questions that correspond to their interests and expertise. This not only incites users’ desire to create, but also helps new users quickly get on track with answering questions. We also offer productivity tools to help content creators efficiently produce our content.

We use a feed recommendation system and a search system to efficiently distribute content of interest to users. Users can browse their personalized home feeds on the Zhihu app and website based on their profiles and prior behaviors, and search keywords to quickly access relevant content. As our search functions become more popular, we are increasingly recognized by Chinese netizens as a go-to destination to find answers to their questions. Our users generated 32 million average daily searches in the fourth quarter of 2021, representing a 23.2% year-over-year increase. Zhihu is recognized as the first choice among all online content communities in China for people to look for information to make decisions or find answers, according to the CIC Survey. In addition, users can see updates from content creators and topics that they have followed, read trending topics, watch videos, and browse channels to discover content.

CONTENT CREATORS

As a UGC-based online content community, we pride ourselves on the 55 million cumulative content creators who had contributed 490 million cumulative pieces of content, including 420 million cumulative Q&As, to our community as of December 31, 2021. We strive to continually empower them to generate content and encourage content diversity. Our efforts in discovering, developing, and supporting content creators help realize and enhance the potential of each content creator regardless of one's background or field of specialty, allowing us to continually convert more users into content creators.

We understand and support the different needs of content creators at different stages. Leveraging the Q&A form that sparks creativity, we encourage users to contribute their first piece of content and thereby become content creators in the Zhihu community. Our technology can help content creators select the right topics for them. For example, our AI-powered question routing system distributes questions suitable for entry-level content creators, and will gradually increase the sophistication of questions as content creators become more experienced.

We provide ongoing support and guidance to content creators to increase the frequency of content creation. We offer creative workshops focusing on specific subjects for content creators as they develop their skills towards prolific content creation. In addition, we organize online roundtable series on special topics and other events to enhance the frequency and relevance of the content created.

Content creators can be rewarded financially from their creative works through various channels, such as income for creation of commercial and premium content, commission from Recommended Goodies (好物推薦), among other things.

Our content creators also enjoy their Zhihu experience through recognition from fellow users. For example, our annual Zhihu Content Creators Ceremony (新知青年大會) promotes and strengthens our community culture through enhancing engagements between content creators and users. We invite leading content creators in various fields to share their Zhihu experience to users through award giving speeches, round table forums, and other activities. This fosters a win-win situation for us as content creators not only receive better recognition within our community, but also inspire our users to become content creators.

ZHIHU USERS

We have a large, vibrant, and rapidly growing user base. We had average mobile MAUs of 44.3 million, 64.2 million, and 92.4 million in 2019, 2020, and 2021, respectively. Our users are highly engaged. Our 99.6 million average mobile MAUs in the fourth quarter of 2021 generated 390 million average monthly engagements within our vibrant community during the same period. Our users are also highly sticky. For our YanPlus users, the average 12th-month retention rate in 2020 was 73%. We have a balanced user base. For example, for our active

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users in December 2021, 47% are female; 48%, 21%, and 31% are in tier 1 and new tier 1 cities, tier 2 cities, and other cities; and 75% are aged below 30. We will continue to expand and further diversify our user base, and aim to serve a broader set of internet users.

Our users can leverage a series of features to engage actively within the Zhihu community. Users can upvote and downvote answers and comments, which serve an instrumental role in our community engagements. Users can also identify and invite other users to answer any question in our community. Other engagement features include comments, likes, follows, favorites, and shares.

We organize a variety of online and offline user activities. Our roundtable series provide an online venue for discussions on a wide range of topics. Our themed online creativity events offer opportunities for users to share and learn from creative experience of other users.

Our users are instrumental in building and maintaining our community culture of sincerity, expertise, and respect (認真、專業、友善). Users in our vibrant online community contribute through various engagement activities, respect diversity, and value constructive discussions. In addition to contributing to our content ecosystem through various engagement activities, certain experienced users can assign tags and participate in community reviews to collectively resolve disputes. We have rolled out a set of comprehensive community identity and recognition systems to strengthen users' sense of community belonging.

We adopt a systematic approach in regard to our user growth management. In particular, we seamlessly integrate our growth management strategies with all aspects of our operations, including our brand building efforts. Our product, content, community governance, technology, and sales and marketing teams collaborate closely with our growth management team to align and execute our user growth strategies and ensure optimized user acquisition.

We strategically deploy multi-dimensional user growth strategies to complement our word-of-mouth referrals, such as brand marketing, targeted campaigns, and pre-installations on mobile devices. To keep up with the dynamic market conditions and competitive landscape, we continually review and refine our user growth strategy. For example, to attract users of a broader and more diverse background, we focus on promoting ourselves as an online community where everyone can find their own answers, and we highlight our strength as the go-to online community for content coverage on trending topics (熱榜) with significant social impact.

We also combine our user growth efforts with various scenario-oriented campaigns leveraging our rich and deep content portfolio as well as our brand image. For example, each year during the national college matriculation exam (GaoKao) period in China, we prominently distribute content most relevant to GaoKao in an effort to attract new high school seniors as users, whom we consider to be an active user base with high growth potential.

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Our content-centric approach to boost our brand recognition and marketing also includes cooperation with celebrities, targeted event campaigns, and fans events, as well as collaboration with major TV stations and online video platforms in China. Because the Zhihu brand itself imparts strong recognition of content quality, our marketing strategy to combine brand building with user growth enables us to benefit from a low customer acquisition cost and achieve a fast rate of user growth.

OUR MONETIZATION

We have adopted a content-centric monetization approach. We derive revenues from online advertising, paid membership, content-commerce solutions, vocational training, and other services such as e-commerce.

The following table sets forth certain of our operating data for the periods indicated.

	For the Year Ended December 31,			2019-2021
	2019	2020	2021	CAGR
Average MAUs (in millions)	48.0	68.5	95.9	41.4%
Advertising revenue per MAU (in RMB)	12.0	12.3	12.1	0.4%
Average monthly subscribing members (in thousands)	574.2	2,362.6	5,076.0	197.3%
Content-commerce solutions revenue per MAU (in RMB)	—	2.0	10.2	—

The following table sets forth our unaudited quarterly revenue, quarterly average MAUs, and quarterly revenue per MAU for the periods indicated. The quarterly revenue per MAU is calculated based on our selected unaudited quarterly revenue derived from our management accounts and have not been audited. Our historical results are not necessarily indicative of the results to be expected for any future period. The following information should be read in conjunction with the consolidated financial statements included in the Accountant’s Report set forth in Appendix I, including the related notes, as well as the section headed “Financial Information.”

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Quarterly revenue (RMB in millions)	118.0	154.6	173.9	224.0	188.2	261.4	382.8	519.8	478.3	638.4	823.5	1,019.2
Quarterly average MAUs (million)	39.2	44.3	51.7	56.9	61.8	64.5	72.2	75.7	85.0	94.3	101.2	103.3
QoQ growth of quarterly average MAUs	—	13.2%	16.5%	10.1%	8.5%	4.4%	12.0%	4.8%	12.3%	10.9%	7.3%	2.1%
YoY growth of quarterly average MAUs	—	—	—	—	57.8%	45.4%	39.8%	33.0%	37.7%	46.2%	40.1%	36.4%
Quarterly revenue per MAU (RMB)	3.0	3.5	3.4	3.9	3.0	4.1	5.3	6.9	5.6	6.8	8.1	9.9

Our quarterly revenue, quarterly average MAUs, and quarterly revenue per MAU generally increased during the Track Record Period except for the quarterly revenue and quarterly revenue per MAU in the first quarters of 2020 and 2021 and the quarterly revenue per MAU in the third quarter of 2019. The decrease of our quarterly revenue in the first

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quarters of 2020 and 2021 compared to the fourth quarters of 2019 and 2020 was primarily due to seasonality, and the decrease in quarterly revenue per MAU in the same periods was affected by the seasonality impact on quarterly revenue and a steadily increasing trend on our quarterly average MAUs. The decrease of our quarterly revenue per MAU in the third quarter of 2019 compared to the second quarter of 2019 was primarily due to faster growth of average MAUs compared to the growth of revenue in the third quarter of 2019. See “Financial Information—Business Sustainability—Increasing Monetization Capabilities—Online Advertising.”

Due to our increasing spending in special promotion and advertising activities since 2021, such as our ten-year anniversary event, and the positive impact of the temporary recovery of the COVID-19 pandemic on our MAU growth, the quarterly average MAUs had higher quarter-over-quarter growth rate in the first two quarters of 2021. This resulted in a relatively lower quarter-over-quarter growth rate in the third quarter of 2021 while the quarterly average MAUs continue to increase at a 40.1% year-over-year rate. The quarterly average MAUs in the fourth quarter of 2021 had have a relatively lower quarter-over-quarter growth rate due to regular quarterly fluctuation as observed in previous years and in line with industry trend, while the quarterly average MAUs increased at a 36.4% year-over-year rate. We believe that the lower quarter-over-quarter growth rate of quarterly average MAUs in third quarter and fourth quarter of 2021 will not affect our path to profitability.

The decreasing growth rate in quarterly revenue per MAU since the second quarter of 2021 is due to the higher growth rate in quarterly average MAUs than quarterly revenue resulting from our strategic investments in user acquisition and engagement since 2021, evidenced by higher MAU growth starting from the second quarter of 2021 compared with the same periods in 2020.

Our quarterly average MAUs generally increased on a year-over-year basis during the Track Record Period. Although we expect our user base to continue to experience a growing trend in the near future, we may experience fluctuations of quarterly average MAUs on a quarterly basis, particularly during the fourth and first quarter of a year. For instance, on a year-over-year basis, our quarterly average MAUs in the first quarter of 2022 will continue to experience growth, but on a quarter-over-quarter basis, it may stay relatively flat or even experience a decrease compared with the quarterly average MAUs in the previous quarter, primarily attributable to the seasonality and the impact of external environment and market condition. We will continue to enhance our monetization efforts to ensure our overall business growth, and we believe that the quarter-over-quarter fluctuation of our quarterly average MAUs in the first quarter of 2022 will not affect our path to profitability. Meanwhile we will continue to enhance the monetization effectiveness and efficiency on a per-MAU basis. According to CIC, it is common for companies that were experiencing growth trend in user base to record fluctuations in average MAUs on a monthly or quarterly basis, and the general trend of MAUs of such companies had not been materially affected by such individual quarterly fluctuations.

Online Advertising

We offer merchants and brands online advertising services to help them deliver advertisements effectively to their targeted audience. Our online advertising services primarily include launch-screen and feed advertisements. Advertisements can be placed at various parts in our Zhihu app and website in different formats. Merchants and brands can place display-based or performance-based advertisements. We primarily charge display-based advertisements by the cost-per-mille model, and primarily charge performance-based advertisements by the cost-per-click model and cost-per-mille model. The pricing of our advertising is determined based on our internal marked price guidelines that are updated from time to time. The guidelines generally take into consideration factors including, among other things, nature and type of advertisers, products and services to be marketed, prior relationships, level of comparable demands, and scale of orders, and are implemented based on marked price for our advertising services. As we continue to scale up our advertising business, we have maintained a moderately increasing trend on our marked price while narrowing the rebates and discounts offered to advertisers. In particular, while the marked price of our CPM-based services remained relatively stable, our CPD-based services experienced an increase as our user base expanded. These result in a moderately increasing trend on our effective pricing, which excludes rebates and discounts. We seek to maintain a delicate balance between our monetization needs and the necessity of maintaining a positive user experience on Zhihu with a reasonable level of advertising and commercial content presentation. Therefore, our sell-through rate is maintained at a moderate level, enabling room for growth but at the same time yielding a reasonable level of inventory for services offered to businesses and merchants. During the Track Record Period, we had a sell-through rate of approximately 50% to 70%.

Our advertisers are generally attracted by, among other things, the expanding user base and user profiles as well as the content generated in our community. They typically select target audience based on user profiles and review performance indices instead of specifying target content category or monitoring other similar metrics. We served 2,539, 3,511, and 3,036 end-customers for our online advertising services, which may be advertisers procuring our services directly or through agents, in 2019, 2020, and 2021, respectively. The number of our end-customers for our online advertising services decreased from 2020 to 2021, primarily as part of our strategy to retain quality advertisers. Our advertising revenue per end-advertiser was approximately RMB227,000, RMB240,000, and RMB382,000 in 2019, 2020, and 2021, respectively. We do not believe that we have concentration in terms of user profiles.

The advertising-related laws and regulations require, among other things, the advertisers to obtain approvals from authorities responsible for advertisement review prior to publishing advertisements relating to areas including, but not limited to, medical care, pharmaceuticals, medical instruments, agrochemicals, veterinary pharmaceuticals, and health food, and specify content that is prohibited from being contained in advertisements of the aforementioned categories. For content on our platforms that constitutes advertisements falling in these categories, we have established and maintained a reviewing team and implemented strict policies to comply with the regulatory requirements, including setting forth detailed reviewing protocols for each relevant industry, requiring counterparties to submit duly-obtained approvals of advertisement review authorities and to covenant on the authenticity of such approval, verifying the authenticity of such approval through the website of the advertisement reviewing authorities, and confining the advertising content strictly to the extent approved. Where such content violates relevant laws and regulations, we take immediate measures to remove them. During the Track Record Period, we had been compliant with laws and regulations governing advertisement content of the aforesaid industries and intend to closely monitor and follow regulatory developments regarding advertisements in our daily operation on a continuing basis.

Paid Membership

We offer Yan Selection (鹽選) membership program, which provides our subscribing members with access to our premium content library, serving a wide range of users who view for pleasure, look to acquire knowledges and skills, and search for credible references. Compared to content that can be viewed free of charge, premium content under the paid membership subscription program primarily consists of content generated by content creators on our platform, some of which are professional content creators, and user-generated content licensed from third parties on a compensated basis. Specifically, these third parties primarily include professional or experienced content creators that provide us with commissioned works and copyright licensors that license us to use certain copyrighted works, although we are not a reseller of third-party content. Our subscribing members can enjoy 3.9 million pieces of premium content, including fictions and novels, other books and magazines, live and recorded lectures, and audio books, in addition to certain membership privileges and services. We also offer an on-demand access option to our content library to supplement our Yan Selection membership program. Substantially all of our paid membership revenue was derived from Yan Selection membership fees paid by the subscribing members. On-demand access to premium content accounted for 2.1%, 1.2%, and 0.7% of our total revenues in 2019, 2020, and 2021, respectively. In the fourth quarter of 2021, we had 6.1 million average monthly subscribing members, representing a paying ratio of 5.9% of our paid membership program, up from 4.0% in the fourth quarter of 2020. We expect to expand our paid membership services by continuing to enhance the quality of our premium content, including professionally generated content and professional user-generated content, and diversifying the spectrum of our premium content library.

We offer subscription plans for the Yan Selection membership, and offer trials to attract more members. Our subscription plans are offered for monthly, quarterly, and annual membership services and the full subscription fees as of the Latest Practicable Date were RMB25 for non-consecutive monthly membership services, RMB68 for non-consecutive quarterly membership services, and RMB238 for non-consecutive annual membership services. In addition, the full subscription fees as of the Last Practicable Date were RMB19 for automatic consecutive monthly membership services, RMB53 for automatic consecutive quarterly membership services, and RMB198 for automatic consecutive annual membership services. The average monthly renewal rate of our Yan Selection membership program was 56%, 62%, and 65% in 2019, 2020, and 2021, respectively. The average revenue per subscribing member was RMB153, RMB136, and RMB132 in 2019, 2020 and 2021, respectively. The decrease in the average revenue per subscribing member during the Track Record Period was primarily due to the decreasing percentage of on-demand access to premium content in paid membership revenue in 2020 and 2021. We also collaborate with other leading online platforms to offer joint membership programs in an effort to promote our Yan Selection membership program.

Content-Commerce Solutions

Our innovative content-commerce solutions provide merchants and brands with online marketing solutions that are seamlessly integrated into our online content community. As opposed to traffic-based online marketing, our content-commerce solutions adopt a content-based approach focusing on the content itself and its appeal to targeted audience to help merchants and brands engage with their target consumers in a more direct, accurate, and effective manner. Content-commerce solutions enable merchants and brands to create commercial content about their products and services, which can be distributed by and remain relevant to our users over a period of time, contributing to a rich content portfolio that can enhance our clients' branding. The typical duration of content relating to our content-commerce solutions ranges from a couple of days to one year. Such content is seamlessly embedded into answers, articles, and videos on Zhihu, to effectively capitalize on users' actionable intent. When commercial content is consumed in the relevant context, superior marketing effects could be achieved. In addition, through collaborating with us under content-commerce solutions, content creators can serve merchants and brands in their brand building, sales conversion, or other promotional needs. This avenue for monetization delivers value to consumers who want to learn about brands and make informed decisions, to merchants and brands who can seek to strengthen their dialog and improve engagement with consumers, and to content creators who can be rewarded for contributing commercial content to the online community. We believe that such stakeholders will continue to benefit from the virtuous cycle based on commercial content on Zhihu. If certain commercial content cannot meet the quality standard of the Zhihu community, such commercial content will be restricted from distribution in, or removed from, the Zhihu community.

We establish our content-commerce solutions based on a highly productive content creation community generating massive opportunities. Depending on the demand of merchants and brands, content can be created primarily through content creators in our community directly or through service agents such as multi-channel network or in-house production by merchants and brands. As we continue to facilitate content creation, enhance user experience, and provide monetization opportunities on Zhihu, an increasing number of content creators currently constitute the content creation force of our content-commerce solutions. Accordingly, we have rolled out the Cheese platform, which is a utility that enhances the effectiveness of content creators to generate commercial content that can be utilized by content-commerce solutions and other monetization channels such as online advertising. The Cheese platform enables us to efficiently identify, incentivize, and organize appropriate content creators to create and distribute commercial content, essentially promoting UGC-based commercial content on Zhihu. Merchants and brands thus can present commercial content through suitable topics and Q&As. Furthermore, we provide a suite of marketing utilities to be embedded in various parts of content to help merchants and brands realize sales conversion, customer acquisition, or service provision, among others. Merchants and brands thus can either direct the creation of such content or identify proper content to embed actionable utilities offered by content-commerce solutions.

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Content-commerce solutions are seamlessly integrated with our content operations. In addition to facilitating creation of commercial content, our content-commerce solutions leverage our content distribution system to deliver recommended commercial content to the targeted audience with high precision. We distribute recommended commercial content just as other regular content on Zhihu in the form of answers, articles, and videos, as part of our regular feed recommendation process with its exposure determined based on its quality. Such content is assessed under the same standard and mechanism so that fulfilling commercial content gets better promotion. In addition, we can set up the recommended commercial content as a “next answer” to be displayed when relevant users have browsed an answer and click to view the next answer. After the content is published, brands and content creators are allowed to monitor its marketing efficiency and user engagement by accessing visualized and real-time metrics of numbers of followers, likes, and favorites on the content. Through highly accurate and targeted content distribution based on deep understanding of our content and users, our content-commerce solutions assist merchants and brands in realizing the commercial value of the relevant content, enhancing the exposure of its brands or products, and converting content consumption into actions by users.

Leveraging the volume of content on Zhihu, our content commerce-solutions have proven to be a highly effective marketing approach for merchants and brands, evidenced by an overall click-through rate multiple times higher than that of traditional advertising. According to the CIC Survey, most of our clients consider content-commerce solutions to be effective marketing solutions and help merchants and brands build a cumulative content portfolio for branding.

We had 80, 2,413, and 5,745 end-customers for our content-commerce solutions, which may be companies procuring our services directly or through agents, in 2019, 2020, and 2021, respectively. Our content-commerce solutions revenue per end-customer was approximately RMB8,000, RMB56,000, and RMB170,000 in 2019, 2020, and 2021, respectively. As no industry accounts for a disproportionate amount of our content-commerce solutions revenue, we do not believe that our content-commerce solutions revenue has any concentration risk.

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The following table sets forth a breakdown of content-commerce solutions revenue by content category for the periods indicated.

Content Category	2019⁽¹⁾	2020	2021
Consumer goods	—	76%	66%
Education	—	13%	15%
Technology and internet	—	3%	12%
Others	—	8%	7%
Total content-commerce solutions revenue	100%	100%	100%

Note:

(1) The content category breakdown of content-commerce solutions revenue in 2019 is not calculated as the revenue contribution of content-commerce solutions was insignificant in 2019.

In addition, certain customers of our services offered to businesses and merchants may receive sales rebates. According to CIC, in China's online advertising industry, rebate rate usually ranges from 5% to 50% of the service fee, depending on different pricing strategies adopted by advertising media. Our rebate rate showed a declining trend during the Track Record Period, generally staying at a relatively lower level within the industry range for rebate rates during the Track Record Period.

We believe that we are still at a ramp-up stage for building our client base. The next-year churn rate (which refers to the percentage of customers that had business with us in a year and depart from our business in the following year) of our top 100 customers of our services offered to businesses and merchants, who contributed a majority of our total revenue from services offered to businesses and merchants during the Track Record Period, was approximately 30% from 2019 to 2020, and decreased further to approximately 15% from 2020 to 2021. We strive to build a broader and more diverse client base, and to engage and select more merchants and brands in the Zhihu community to explore opportunities for long-term relationships.

Vocational Training

As we see significant amount of user engagements and Zhihu content relating to vocational and professional learning reflecting our users' strong demand in that field, we have launched our vocational training service in 2020. We offer a diverse course portfolio with a focus on professional qualification exams and other vocational education, which is a valuable supplement to our content offerings. Our vocational training service experienced rapid growth since launch. In 2021, we generated RMB45.8 million (US\$7.2 million) in revenues from our vocational training services.

Our courses include vocational training courses that are self-developed and developed in collaboration with third-party education service providers. We utilize our existing technological infrastructure, including our content distribution engine, customer relationship management, data management platform, and transaction system, to smoothly support the growth of our vocational training services. We attract users by creating and distributing content that stimulate users' interest in topics that relate to the courses and facilitate users to purchase such courses. In addition, we conduct strategic acquisitions to strengthen our content supply. In July 2021, we acquired 55% of equity interest in Prez Limited from an Independent Third Party for a maximum consideration of RMB129.8 million, with exact consideration to be determined based on its performance after acquisition. Prez Limited primarily provides professional qualification exam preparation courses, such as CFA and CPA, under the PZ Academy brand. In November 2021, we acquired 55% equity interest in Yincheng Limited from an Independent Third Party for a maximum consideration of RMB52.3 million, with exact consideration to be determined based on its performance after acquisition. Yincheng Limited primarily provides vocational language exam preparation courses under the Papa brand. We intend to realize synergies following these acquisitions and enrich the content supply for our vocational training services while leveraging our strong content distribution and user growth capabilities. We will continue to develop content that revolve around our courses and teachers and nurture an ecosystem to help users advance their careers.

Other Monetization Channels

As part of our efforts to grow our content portfolio and cater to the evolving trend of our users' content consumption, we continue to identify and introduce additional products and services. We believe that there are significant monetization opportunities in many of our content domains, such as e-commerce, where users are highly engaged and we have accumulated a vast depositary of content.

Our e-commerce operations enable content creators to embed actionable utilities in their content to introduce and recommend products to our users. Recommended Goodies (好物推薦) translates proven community knowledge, experience, and insights with respect to products into a strong sales momentum. We currently direct traffic externally to third-party e-commerce platforms, which pay us commissions based on pre-agreed percentages of the relevant GMV realized on these platforms, and we split the commissions with the content creators. Our

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e-commerce service currently covers digital consumer products, home appliances, and lifestyle products. We are further expanding the merchandise categories and developing closed-loop e-commerce operations where transactions are completed within Zhihu instead of on third-party platforms.

Our strong brand makes Zhihu popular in various product categories. We work with third parties to offer book series. For example, we offer the popular title of children’s books in China, *A Hundred Thousand Whys* (十萬個為甚麼), which in turn promotes the related content creation on Zhihu. In addition, we offer private label products such as Zhiwu (知物) strip bag coffee to further strengthen our brand equity.

Benefiting from our rich content portfolio, we are exploring opportunities to further develop the related intellectual property in collaboration with third parties, such as Zhihu-branded merchandise.

ZHIHU COMMUNITY GOVERNANCE

We maintain community culture through our comprehensive community governance system, comprising our users, protocols, and algorithms. These elements interact with one another to build and maintain our culture.

Our community governance team actively identifies and responds to content that contradicts our community guidelines, assisted by our proprietary know-how and AI-powered content assessment algorithms as well as a set of system and protocols built upon years of operations. We analyze content, assess user behaviors and interactions, and ultimately enhance the quality of our content portfolio. As a result, content quality ultimately determines the order by which content is presented. Influential, reputable, and well-recognized users generally have more weight in the content assessment process. Through years of experience, we have accumulated a set of community guidelines in addition to our community by-laws and terms of service to help regulate all major aspects of our community’s operations and activities.

People within the Zhihu community value our culture and can help safeguard an environment where everyone is encouraged to share their knowledge, experience, and insights while treating each other with respect. For example, our users can actively participate in community governance by initiating and participating in dispute review process, and certain users can even become “jurors” on Zhihu to decide on fact-finding in community disputes.

SALES AND MARKETING

Our competitive position benefits significantly from our content portfolio and our continued efforts to grow this content portfolio to foster better user experience. Leveraging our ever-growing content portfolio and our continued efforts to foster better user experience, we have built Zhihu into a strong brand. For example, “Zhihu Highly Upvoted” (知乎高贊) is a

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signature badge used by Chinese netizens to refer to relevant and popular content within the Chinese internet community. Our unique marketing approach in turn helps us attract and retain users organically and efficiently.

We strategically deploy multi-dimensional marketing strategies to complement our word-of-mouth referrals, such as brand marketing, targeted campaigns, and pre-installations on mobile devices. Currently, a majority of the downloads of the Zhihu app are from the app stores on Android devices, and all pre-installations of the Zhihu app are made on Android devices, which represent an insignificant portion of the Zhihu app installations on Android devices. To keep up with the dynamic market conditions and competitive landscape, we continually review and refine our marketing strategy. For example, to attract users of a broader and more diverse background, we focus on promoting ourselves as an online community where everyone can find their own answers, and we highlight our strength as the go-to online community for content coverage on trending topics (熱榜) with significant social impact.

We also combine our marketing efforts with various scenario-oriented campaigns leveraging our rich and deep content portfolio as well as our brand image. For example, each year during the national college matriculation exam (GaoKao) period in China, we prominently distribute content most relevant to GaoKao via GaoKao-related discussions in the Zhihu community that we host and organize in an effort to attract new high school seniors as users, whom we consider to be an active user base with high growth potential.

Our content-centric approach to boost our brand recognition and our marketing also includes cooperation with celebrities, targeted event campaigns, and fans events, as well as collaboration with major TV stations and online video platforms in China. Because the Zhihu brand itself imparts strong recognition of content quality, our marketing strategy to combine brand building with user growth enables us to benefit from a lower customer acquisition cost and achieve a faster rate of user growth.

Data analytics underlie our marketing strategies. We constantly refine our algorithms for accurate identification of trending topics and user demand to better connect the right users with the right content. We also market our community and content through popular search engines, social media, trending apps, web navigation portals, and third-party mini-programs. Through these third-party platforms, we are able to further accumulate brand equity, expand content exposure via external channels, and enhance user acquisition capabilities. Moreover, synergies and collaborations between our products, content, technology, governance, and user growth teams enable our community to recommend the most attractive content to users for maximizing user engagement.

TECHNOLOGICAL INFRASTRUCTURE

We develop and deploy our technological infrastructure and data capabilities based on and suitable for the nature of our content and our content-centric monetization strategies.

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TopicRank sets the technological foundation of Zhihu as a leading online content community from the content creator perspective. Powered by our AI capabilities, TopicRank assesses content through the understanding of content creators by continued iteration: it dynamically assigns a proper weight to any given user in any given field based on such user's knowledge, experience, and insights in such field; it assesses a particular piece of content created by a user from multiple dimensions taking into account the weight assigned to that user and the quality of engagement (such as the number of upvotes and downvotes) with other users and their respective weights in the field, and determines the quality of such content for distribution; and based on the wealth of historical assessment results, it updates the weight previously assigned to any given user on a real-time basis over a long period of time. It is continually refined by machine learning technology and our proprietary know-how and data insights derived from our decade-long operations.

We have been enhancing TopicRank's iterative process by allowing an overlay of our "fulfilling" approach, leveraging our deepened understanding of content. As TopicRank improves algorithmically over time, it increasingly facilitates the trust and confidence of users in our online community. As part of our efforts in developing and implementing our "fulfillness" approach, we are applying various technical means, including AI, machine learning, and natural language processing, in cultivating our technological capability of identifying and promoting "fulfilling content." In particular, to facilitate our experienced content operations team in enhancing the efficiency of machine learning, we continually evaluate and provide feedback of relevant system output to help with the iteration process. We believe that we are uniquely positioned to develop this "fulfillness" approach benefiting from our rich and deep content portfolio as well as our over a decade of operating experience.

We also seek to enhance our technological capability to support content management through an interplay and iteration between the "fulfillness" approach and the TopicRank algorithms. Credentials of content creators identified by TopicRank may be of high reference value, especially in the stage of initial development of the "fulfillness" approach, and this approach will feed TopicRank with accurate data to strengthen its content comprehension capabilities through better profiling of content creators.

We use an intelligent question routing system to accurately invite users to contribute answers. Based on the analysis of a particular question and data insights on users, the question routing system identifies users who have created content (preferably with positive feedback by other users) or shown interest in the relevant field based on user profiles and behaviors, and distributes the question to these users, prompting for a response. The question routing system continues to assess any further engagements by these invited users to further ascertain their level of interest and expertise, which in turn enhances the effectiveness of the question routing. In addition, we also supply content creators with a suite of productivity tools to assist in creating content in various forms and easily editing texts, images, and videos.

We also use a feed recommendation system and a search system to efficiently distribute content of interest to users. The feed recommendation system creates personalized home feeds when users access the Zhihu app and website based on user profiles and behaviors. The feed

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recommendation system enables us to optimize user experience and improve the signal-to-noise ratio. In addition, we have applied a combination of deep learning and traditional models to our search system, enabling an efficient access to their content of interest. We continue to improve both the feed recommendation and search systems through TopicRank and machine learning technology. We began in the third quarter of 2021 by considering fulfilling content as an additional factor for our feed recommendation system and the search system.

We apply multiple technologies based on natural language processing (NLP) to understand and respond to content, users, and their behaviors and interactions, ultimately to maintain the culture of the Zhihu community. We maintain and develop knowledge graphs to arrange content in a structured system, and, with the accumulation of information over years of operations, to organize and present knowledge, experience, and insights for users. We use graph embedding machine learning models to analyze interactions between users and determine user affinity, which together with other factors help refine our assessment of the appropriateness of any particular content and determine corresponding reactions. We also use AI-powered proprietary systems to defend against inappropriate content. For example, the content filtering system is able to promptly and accurately identify and fold or remove unfriendly, irrelevant, biased, or other inappropriate content in a matter of milliseconds to reduce interruption to users. The anti-spamming system can accurately identify spam activities such as casting upvotes and downvotes in violation of the community rules, thereby protecting the quality of discussion and interaction in our community. In addition, we have implemented AI-powered systems to enhance our ability to understand and manage video content. We believe that we are one of the few online content market players that are capable of managing content by recognizing tones and attitudes expressed by users under complex context and circumstances.

Our research and development team is comprised of highly qualified employees, substantially all of whom held bachelor's or higher degrees as of December 31, 2021. Our research and development expenses consist primarily of payroll and related expenses for research and development professionals. We plan to continue to invest in technology and innovation to enhance user and customer experience.

USER PRIVACY AND DATA SECURITY

Data security is crucial to our business operations. We have internal rules and policy to govern how we may use and share personal information, as well as protocols, technologies and systems in place to ensure that such information will not be accessed or disclosed improperly. Users must acknowledge the terms and conditions of the user agreement before accessing our products and services, under which they consent to our collection, use, and disclosure of their data in compliance with applicable laws and regulations.

When our users access and interact on Zhihu, certain personal information is directly collected by us, primarily including name, email address, mobile number, ID number, behavioral data, and other personal information. We would first obtain consent from our users

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to collect, store, and transmit data for providing services to them on Zhihu. Our data privacy policy agreed by our users describes our data practices in our operations, and we do not use any data for any purpose other than those specified in the data privacy policy with our users.

We store in-house all the data accumulated in our operations. Neither do we currently have any data sharing arrangement with external parties, nor does our business involve any cross-border data transfer. From an internal policy perspective, we limit access to our servers that store our user and internal data on a “need-to-know” basis. Our employees are granted access to the minimum extent that is necessary to fulfill their job responsibilities and are required to go through strict internal approval procedure before operating on such data. We also have entered into confidentiality agreements with relevant employees and organized trainings to strengthen their awareness for data privacy and protection. In addition, we adopt a data encryption system intended to ensure the secured storage and transmission of data, and prevent any unauthorized member of the public or third parties from accessing or using our data in any unauthorized manner. We have implemented relevant internal controls to ensure that user data is protected and that leakage and loss of such data is avoided. Furthermore, we have appointed a team of dedicated data protection professionals who are responsible for designing and monitoring data security management and emergency response. Data access attempts by any third party are subject to our evaluation and approval procedure based on the necessity and scope of the attempts and appropriate consent from our users. We typically provide third parties with anonymous and desensitized personal information and require such third parties to undertake equivalent data protection measures.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with data privacy and security laws or regulations. Our PRC Legal Advisor is of the view that we had complied in all material aspects with all applicable PRC data privacy and cybersecurity laws and regulations during the Track Record Period and up to the Latest Practicable Date. For additional information, see “—Risk Management and Internal Control—Information System Risk Management.”

As of the Latest Practicable Date, we were not subject to any claims or allegations relating to intellectual property that were material to our business operations.

INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark, domain name, and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of December 31, 2021, we had 46 registered patents, 28 pending patent registration applications, 913 registered trademarks, 125 pending trademark registration applications, registered copyrights to 39 pieces of software, and 8 domain names (including *zhihu.com*). For details of our intellectual property rights, see “Appendix IV—Statutory and General Information—Further Information About Our Business—Intellectual Property Rights.” As of the Latest Practicable Date, we were not subject to any claims or allegations relating to intellectual property that were material to our business operations.

COMPETITION

We are one of the top five comprehensive online content communities and the largest Q&A-inspired online community in China, both in terms of average mobile MAUs and revenue in 2019, 2020, and 2021, according to CIC. We operate along other online content communities, including Q&A-inspired online communities. Our competitors mainly include (i) comprehensive online content communities and (ii) other online content communities that specialize in certain content verticals, such as certain lifestyle sharing platforms, live streaming platforms, knowledge sharing platforms, and hobby communities. See “Industry Overview—Competitive Landscapes of China’s Online Content Communities.”

China’s online content communities industry is highly competitive and rapidly changing with the evolving market demand and user preferences. We compete to attract, engage, and retain users, content creators, and merchants and brands. Our competitors may compete with us in a variety of ways, including by providing better content, fulfilling evolving user needs, providing content creation utilities, and conducting brand promotions and other marketing activities. Our content creators are generally free to post their content on our competitors’ platforms, which may divert user traffic or attention from our platform.

We face competition for advertising and marketing spending of merchants and brands. We compete against other online content communities that offer services similar to our online advertising and content-commerce solutions. We also compete with internet companies that offer similar services, including but not limited to PGC-focused online content market players, search service providers, e-commerce platforms, and social networking platforms. We also compete against traditional media outlets, such as television, radio, and print for advertising and marketing budget.

Our paid membership service offerings compete with platforms that provide similar services to paying users, including other online content communities and PGC-focused online content market players that offer subscription programs or on-demand access to content library.

Besides advertising, paid membership, and content-commerce solutions, we also generate revenue through other services, including vocational training and e-commerce services. For our vocational training business, we may face competition for consumer spending with online or offline training players that focus on professional qualification exams and other vocational education. For our e-commerce business, we may face competition for consumer spending with other online content communities and e-commerce platforms.

We will continue to compete effectively with our competitors based on the community culture, content quality and richness, and governance mechanism that we have cultivated and precipitated for a decade, the strength and reputation of our Zhihu brand, our ability to provide fulfilling content, our ability to develop new products and services and enhancements to existing products and services to keep up with user preferences and demands, and our ability to continue to grow our user base.

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As we introduce new products and services on our platform, as our existing products and services continue to evolve, or as other companies introduce new products and services, we may become subject to additional competition.

CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers include merchants and brands who purchase our online advertising and content-commerce solutions and subscribing members to our Yan Selection (鹽選) membership program and other paying users.

Our advertising revenue derived from customers that are advertising agents accounted for 83%, 77%, and 70% of our total advertising revenue in 2019, 2020, and 2021, respectively, while the rest of our total advertising revenue was booked with end-customers that are advertisers. Our content-commerce solutions revenue derived from customers that are advertising agents accounted for 100%, 100%, and 93% of our total content-commerce solutions revenue in 2019, 2020, and 2021, respectively, while the rest of our total content-commerce solutions revenue, as applicable, was booked with end-customers that are advertisers. Our top agent customer accounted for 6.6%, 5.0%, and 3.9% of our total revenues in 2019, 2020, and 2021, respectively. Our top five agent customers in aggregate accounted for 25.5%, 17.8%, and 16.1% of our total revenues in 2019, 2020, and 2021, respectively.

We seek to maintain and we believe that we have maintained a diverse industry coverage based on end-customers of our services offered to businesses and merchants. We do not believe that we have end-customer industry concentration risks.

The following table sets forth a breakdown of total revenue from services offered to businesses and merchants by end-customer industry for the periods indicated.

	<u>2019</u>	<u>2020</u>	<u>2021</u>
End-Customer Industry			
E-commerce platforms	11%	27%	29%
Fast-moving consumer goods	33%	23%	25%
Internet services	7%	7%	12%
Automobiles	8%	11%	8%
Local daily life services	20%	13%	8%
Games	8%	10%	7%
Others	13%	9%	11%
Total revenue from services offered to businesses and merchants	<u><u>100%</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>

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The following table sets forth a breakdown of content-commerce solutions revenue by end-customer industry for the periods indicated.

	2019 ⁽¹⁾	2020	2021
End-Customer Industry			
E-commerce platforms	—	64%	39%
Fast-moving consumer goods	—	5%	21%
Education services	—	13%	15%
Internet services	—	3%	12%
Local daily life services	—	7%	6%
Others	—	8%	7%
Total content-commerce solutions revenue	100%	100%	100%

Note:

- (1) The end-customer industry breakdown of content-commerce solutions revenue in 2019 is not calculated as the revenue contribution of content-commerce solutions was insignificant in 2019.

We do not believe that we have customer concentration risks. Our top five customers in aggregate accounted for 26.3%, 24.3%, and 23.3% of our total revenue for the years ended December 31, 2019, 2020, and 2021, respectively. Our top customer accounted for 6.6%, 6.7%, and 7.8% of our total revenue for the years ended December 31, 2019, 2020, and 2021, respectively.

During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned over 5% of our Company's issued share capital) had any interest in any of our five largest customers.

During the Track Record Period, our suppliers primarily include content providers such as professional or experienced content creators and content licensors, payment service providers, landlord, and professional service providers.

Purchases from our top five suppliers in aggregate accounted for 25.9%, 20.8%, and 14.3% of our total purchase amount, which consists of cost of revenues, total operating expenses, and purchase of property and equipment, for the years ended December 31, 2019, 2020, and 2021, respectively. Our top supplier accounted for 8.9%, 6.5%, and 3.8% of our total purchase amount for the years ended December 31, 2019, 2020, and 2021, respectively.

During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our top five suppliers, except that a Tencent affiliate is one of the cloud and bandwidth service providers.

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Due to the nature of our business, we have overlapping customers and suppliers. In 2019, two of our top five customers were also our suppliers and one of our top five suppliers was also our customer. In 2020, three of our top five customers were also our suppliers and two of our top five suppliers were also our customers. In 2021, three of our top five customers were also our suppliers and three of our top five suppliers were also our customers. During the Track Record Period, the aggregate revenue from these top five overlapping customers and suppliers as a percentage of our total revenue was less than 3%, and the aggregate purchase amount from these customers (suppliers) as a percentage of our total purchase amount, which consists of cost of revenues, total operating expenses, and purchase of property and equipment, was less than 1%.

EMPLOYEES

As of December 31, 2021, we had 2,649 full-time employees, all of whom were based in China, primarily at our headquarters in Beijing, China.

The following table sets forth the number of our employees by function as of December 31, 2021.

Function	Number of Employees	Percentage
Content and Content-Related Operations	687	25.9%
Research and Development	1,141	43.1%
Sales and Marketing	584	22.0%
General Administration	237	9.0%
Total	2,649	100.0%

Our success depends on our ability to attract, retain, and motivate qualified personnel. We offer employees competitive salaries, performance-based cash bonuses, regular awards, and long-term incentives. We believe that we maintain a good working relationship with our employees, and we did not experience any material labor disputes or work stoppages or any difficulty in recruiting staff for our operations during the Track Record Period.

We primarily recruit our employees through on-campus job fairs, industry referrals, online channels, and recruitment agencies. In addition to on-the-job training, we have adopted a training system, pursuant to which management, technology, regulatory, and other trainings are regularly provided to our employees by internally sourced speakers or externally hired consultants.

As required by PRC laws and regulations in respect of our PRC employment, we participate in housing fund and various employee social insurance plans that are organized by applicable competent authorities, including housing, pension, medical, work-related injury, maternity, and unemployment insurance, under which we make contributions at specified

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percentages of the salaries of our employees. We also purchase commercial health and accidental insurance coverage for our employees. Bonuses are generally discretionary and based in part on the overall performance of our business and in part on employee performance. We have adopted a plan to grant share-based incentive awards to our eligible employees to incentivize their contributions to our growth and development.

We enter into standard confidentiality and employment agreements with our employees. The contracts with our key personnel typically include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and typically for one year after the termination of his or her employment, provided that we pay a certain amount of compensation during the restriction period.

INSURANCE

In line with general market practice, we do not maintain any property insurance or business interruption insurance or key man life insurance. We believe that our insurance coverage is sufficient for its present purposes and is consistent with the insurance coverage of other online content communities in China. We periodically review our insurance coverage to ensure that it remains to be sufficient. During the Track Record Period, we did not make any material insurance claims relating to our business. For a discussion of risks relating to our insurance coverage, see “Risk Factors—Risks Relating to Our Business and Industry—Our insurance coverage may not be adequate, which could expose us to costs and business disruption.”

FACILITIES AND PROPERTIES

Our principal place of business is located in Beijing, China. As of the Latest Practicable Date, we lease 24 properties in Beijing, Shanghai, Guangzhou, Nanjing, Chengdu, Dalian, and Chongqing in China with an aggregate gross floor area of over 25,000 square meters. These leases vary in duration from approximately 12 to 48.5 months.

Our leased properties in China serve as our offices and data centers. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as office premises for our business operations. We believe that there is sufficient supply of properties in China, and thus we do not rely on existing leases for our business operations.

As of the Latest Practicable Date, landlords of 7 of our 24 leased properties in China have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Consequently, if any of these leases is terminated as a result of challenges by third parties, we may not be able to continue to use such properties. We believe that alternative premises are available at reasonable market rates if we were forced to relocate our premises which lack valid title certificates.

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Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the relevant local branches of the PRC Ministry of Housing and Urban Development. As of the Latest Practicable Date, we had not completed lease registration of the properties we leased in China, primarily due to the difficulty of procuring the relevant landlords' cooperation to register such leases. The registration of such leases will require cooperation of our landlords. Our PRC Legal Advisor has advised us that the lack of registration for the lease contracts will not affect the validity of such lease contracts under PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for each incident of noncompliance of lease registration requirements.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

We are dedicated to corporate social responsibilities, environmental awareness, and long-term sustainable development. Being a socially responsible company is an integral part of our business and has been our core value since our inception. We have taken various initiatives and practices to promote our value.

Our Commitment to Social Responsibilities

We believe that our continued growth rests on integrating social values into our business and serving the community at large in China. Leveraging our rich content offerings and engaging content creators, our content operation team launches thematic discussions from time to time to promote values such as diversity, equal education, and philanthropism. For example, in late 2021 we promoted a Q&A-based thematic discussion on questions collected from children living outside the cities to arouse public interest in rural education, receiving over 3,500 answers from over 3,500 content creators which collectively rendered over 2.3 million page views. In July 2021, certain areas in Henan Province, China were hit by a heavy rainfall and experienced widespread flooding. We facilitated discussion in the Zhihu community on disaster updates and relief measures, generating over 160 questions and over 26,000 answers across various topics relevant to the flooding incident with approximately 150 million page views.

We remain committed to taking sustainable corporate responsibility initiatives and making our contributions to the society, in particular those in need, in China.

Our Initiatives to Support the COVID-19 Campaign

We believe that it is our responsibility to stand out in difficult times and our commitment to the society is embodied in our initiatives during the nationwide efforts in containing the COVID-19 pandemic. During the outbreak of the COVID-19 pandemic across China in 2020, we actively upgraded our telecommuting system and monitored our employees' health on a daily basis. In addition, we took a series of measures to promote reliable information in our community for combating the pandemic. For example, we have a dedicated thematic page to provide live updates of the new COVID-19 cases, geographic information, and useful information and links for protective measures such as medical treatment, vaccination, and

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nucleic acid tests, with over 70,000 questions, over 1 million answers, and over 40,000 articles, which collectively received over 3.8 billion page views. We also launched a “rumor buster” page to crush prevalent, unsubstantiated rumors regarding the COVID-19 pandemic with evidence, scientific analysis, and expert opinions.

As an online content community, we also proactively engaged our users and content creators in meaningful and informational discussions regarding the COVID-19 pandemic. We have also promoted content creation and engagements on the relevant topics through our content operations, cooperated with qualified and reputable medical information platforms for online consultation and diagnosis, and encouraged content creators with expertise in the relevant areas to contribute to the public discussions. COVID-19-related topics have been among the most active and engaging topics in our community.

Environmental Matters

We do not operate any production facility or engage in any activity that discharges industrial waste, produces a large quantity of pollutants, or significantly emits greenhouse gases, we are committed to carbon mitigation measures and energy efficiency, and our exposure to climate-related risks is limited. We are, however, dedicated to environmental awareness and energy efficiency. We encourage our employees to be mindful of the environment when consuming office supplies and travelling. As an online content community, we host and encourage online discussions and introduce audio books, which contributes to a green, paperless society. In addition, leveraging the depth of the content relating to environmental matters in the Zhihu community, environmental enthusiasts are well-equipped to create content in our community and engage in meaningful discussions on environmental matters, which raises environmental protection awareness of all of our users. Our business is generally subject to relevant PRC environmental laws and regulations, and we had not been subject to any fines or other penalties due to non-compliance with environmental regulations during the Track Record Period and up to the Latest Practicable Date.

Health, Work Safety, and Social Matters

We are not subject to significant health, work safety, or social risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, work safety, or social regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of our business. We are currently not a party to any material legal or administrative proceedings and we were not involved in any material legal

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proceedings and litigations during the Track Record Period and up to the Latest Practicable Date. Litigation or any other legal or administrative proceeding, regardless of the outcome, could result in substantial costs and diversion of our resources, including our management's time and attention.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

For potential impact of legal or administrative proceedings on us, see "Risk Factors—Risks Relating to Our Business and Industry—We may be subject to regulatory actions or legal proceedings in the ordinary course of our business. If the outcomes of these regulatory actions or legal proceedings are adverse to us, it could materially and adversely affect our business, financial condition, and results of operations."

RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information system, internal control, human resources, and investment management.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, treasury management policies, and reimbursement management policies. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures.

Information System Risk Management

We have implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data. We provide regular trainings to our information technology team and discuss any issues or necessary updates.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. Through these trainings, we ensure that our staff's skill sets remain up-to-date and enable them to discover and meet our customers' needs. We have in place an

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employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence, and corruption.

We have in place an anti-bribery and anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conducts and our anti-bribery and anti-corruption measures. Improper payments prohibited by the policy include bribes, kickbacks, excessive gifts or facilitation payment, or any other payment made or offered to obtain an undue business advantage. We keep accurate books and records that reflect the substance of transactions and asset dispositions in reasonable detail. We specifically require that the employees submit all reimbursement requests related to entertainment related fee or gifts presented to third parties on behalf of the company in accordance with our expense expenditure policy, and specifically record the reason for the expenditure. Any entertainment expenses exceeding certain amount per person and any expenses incurred for entertainment not related to business meetings must be approved in advance by our compliance officer. Misleading or incomplete entries in our books and records are not acceptable. Payment made in violation of the expense approval process, cash management system, or reimbursement system is strictly prohibited. Our compliance department is responsible for investigating the reported incidents and taking appropriate measures as necessary. We conduct background check procedures before hiring any third party and ensure that the hiring procedure is implemented fully in accordance with the anti-bribery and anti-corruption policies. We also have regular trainings for employees regarding anti-bribery and anti-corruption policies to facilitate better implementation.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations. The audit committee consists of three members, namely Hanhui Sam Sun, Hope Ni, and Derek Chen. Hanhui Sam Sun, Hope Ni, and Derek Chen are independent non-executive Directors. Hanhui Sam Sun is the chairman of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management—Directors.”

We also maintain an internal audit department that is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Our internal audit department members hold regular meetings to discuss any internal control issues that we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors if necessary.

Internal Control Risk Management

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our quality management system.

We have engaged an internal control consultant to review the effectiveness of our internal controls associated with our business processes, identify deficiencies and improvement opportunities, provide recommendations on remedial actions, and review the implementation status of these remedial actions. The internal control review covered areas such as entity level controls, revenue and receivables, inventory management, procurement to pay, fixed assets management, treasury management, human resources, financial reporting, tax management, information technology, intellectual property management, research and development expense management, and insurance.

Prior to our listing on the New York Stock Exchange in March 2021, we had been a private company with insufficient accounting personnel and other resources with which to address our internal control. Our management has not completed an assessment of the effectiveness of our internal control and procedures over financial reporting and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting as of and for the year ended December 31, 2020. In the course of auditing our consolidated financial statements as of and for the years ended December 31, 2019 and 2020, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting as of December 31, 2020. As defined in the standards established by the PCAOB, a “material weakness” is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The material weakness identified relates to our lack of sufficient financial reporting and accounting personnel with appropriate understanding and knowledge of U.S. GAAP to handle complex accounting issues and to establish and implement key controls over period end closing and financial reporting to properly prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements.

We have implemented a number of measures to address the material weakness, including: (i) we have hired additional accounting staff with adequate experience and knowledge with U.S. GAAP and SEC reporting requirements to address complex U.S. GAAP technical accounting issues, strengthen the financial reporting function, and set up an internal control framework to prepare and review the financial statements and related disclosures in accordance with U.S. GAAP and SEC financial reporting requirements; (ii) we have implemented regular U.S. GAAP and SEC financial reporting training programs for the accounting and financial personnel to equip them with sufficient knowledge and practical experience of preparing financial statements under U.S. GAAP and SEC reporting requirements; and (iii) we have

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developed and implement a comprehensive set of period-end financial reporting policies and procedures, especially for non-recurring and complex transactions to ensure consolidated financial statements and related disclosures are in compliance with U.S. GAAP and SEC reporting requirements.

Although the aforementioned remediation measures were implemented, these measures will require validation and testing of the operating effectiveness of internal controls over a sustained period of financial reporting cycles. As a result, the previously identified material weakness still existed as of December 31, 2021.

In anticipation of the Listing, we have engaged an internal control consultant to conduct the internal control review and a follow-up review of the effectiveness of our internal controls associated with our business processes from August 2020 to August 2021. The internal control review and the follow-up review performed by the internal control consultant constituted a Long Form Report engagement pursuant to the relevant technical bullets in AATB1 issued by the Hong Kong Institute of Certified Public Accountants, or AATB1. The selected areas of the internal control review included entity-level controls, which covered the controls relating to the financial reporting competencies, and business process controls, which covered the financial reporting process. As a result of the internal control review, we identified certain areas that require improvements. We have subsequently taken remedial measures in response to the findings identified and recommendations provided by our internal control consultant. The internal control consultant also performed a follow-up review on our system of internal controls in December 2021, with regard to the remedial actions taken by us to address the findings of the internal control review. Having completed these follow-up procedures, the internal control consultant did not identify any material deficiencies in our internal control system. The internal control consultant did not have any further recommendations in respect of the internal control review.

As of the Latest Practicable Date, there were no material outstanding issues relating to our internal control. Based on the remediation actions performed by the Directors, our Directors are of the view that the enhanced internal control measures over financial reporting are adequate and effective under AATB1, and nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view.

To identify and remove the inappropriate or illegal content and advertisements that may be posted in our community, we have also taken internal control measures, including a community management team dedicated to identifying such content and advertisements and preventing them from being uploaded and AI-powered proprietary systems such as content filtering system and monitoring and anti-spamming systems. Our algorithm-driven system leverages our years of experience in content operations and insights on users and content to identify inappropriate or illegal content based on various factors, including unfriendly or biased expression or irregular user activities implied through key words, underlying meanings, and context. Such identified content may be automatically deleted, blocked for viewing, or sent to our community management team for further review. Users that constantly post inappropriate or illegal content and advertisements may be banned to post any content on Zhihu

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for up to 15 days or, in severe circumstances, may have their accounts completely blocked. Users may report any inappropriate or illegal content and advertisements found on Zhihu through our mobile app. We have a dedicated community management team that reviews and handles such complaints. In addition, where advertisers are required to obtain government approvals for specific types of advertisements prior to delivering such advertisements on the internet, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals, and veterinary pharmaceuticals, we take steps to check or verify that the advertisers have fulfilled the requisite government requirements. However, we cannot assure you that such internal control measures will identify and remove all illegal or inappropriate content and advertisements in our community. See “Risk Factors—Risks Relating to Our Business and Industry—If content in our online community is found to be objectionable or in violation of any PRC laws or regulations, we may be subject to administrative actions or negative publicity” and “Risk Factors—Risks Relating to Our Business and Industry—Advertisements displayed in the Zhihu community may subject us to penalties and other administrative actions.” We and our PRC Legal Advisor are of the view that the Company had complied in all material aspects with applicable PRC laws and regulations governing the Zhihu content and applicable advertising-related laws and regulations during the Track Record Period. We have implemented strict policies to comply with applicable laws, including advertising-related laws, among other things, in regard to our online advertising and content-commerce solutions. To the extent any content is categorized as an advertisement either pursuant to applicable laws or regulations or relevant governmental interpretations or guidance, it will be identified so.

LICENSES AND PERMITS

Our PRC Legal Advisor has advised that as of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals, filings, registrations, and certificates from or with the relevant government authorities that are material for our business operations. Our PRC Legal Advisor is of the view that we had complied with all relevant applicable PRC Laws relating to the required permits and licenses to our online business in all material respects during the Track Record Period. For example, we hold, among other things, Value-Added Telecommunication Business Operation License (增值電信業務經營許可證), Internet Cultural Business License (網絡文化經營許可證), Radio and Television Program Production and Operation License (廣播電視節目製作經營許可證), Publication Operation License (出版物經營許可證), Internet Medicine Information Service Qualification (互聯網藥品信息服務資格證書), and Food Operation License (食品經營許可證) (for our private label products, such as the Zhiwu (知物) strip bag coffee).

Our PRC Legal Advisor has advised us that to their best knowledge such licenses and permits remain in full effect and had not been revoked or canceled as of the Latest Practicable Date. Our PRC Legal Advisor also has advised us that, to their best knowledge, there is no legal impediment to renew such licenses and permits, as long as we comply with the relevant legal requirements and provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable PRC laws and regulations.

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According to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》), internet audio-visual program service refers to activities of making, editing, and integrating audio-visual programs, providing them to the general public via internet, and providing such services to other people by uploading. An internet audio-visual program service provider shall obtain the Audio-Visual Permit. We provide internet audio-visual program services through our Zhihu platforms, which are operated by Zhizhe Tianxia. Zhizhe Tianxia does not hold the Audio-Visual Permit, but has registered with the National Internet Audio-Visual Platforms Information Registration and Management System (全國網絡視聽平臺信息登記管理系統) instead. Our PRC Legal Advisor conducted a consultation with the NRTA, the competent regulatory authority in charge of internet audio-visual program services, Zhizhe Tianxia is able to carry on internet audio-visual program services upon registration with the National Internet Audio-Visual Platforms Information Registration and Management System.

For more information about the laws and regulations to which we are subject, see “Regulations.”

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PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for Foreign Investment Access (the “**Negative List**”) and the Catalogue of Industries for Encouraging Foreign Investment (the “**Encouraging Catalogue**”), which were promulgated and are amended from time to time jointly by the Ministry of Commerce and the NDRC. The Negative List and the Encouraging Catalogue divide industries into three categories in terms of foreign investment, namely, “encouraged,” “restricted” and “prohibited.” Industries not listed under the Negative List and the Encouraging Catalogue are generally deemed as falling into a fourth category “permitted.” The currently effective Negative List is the 2021 Negative List, which became effective on January 1, 2022.

As advised by our PRC Legal Advisor, we carry out certain businesses/operations that are subject to foreign investment restriction or prohibition in accordance with the 2021 Negative List and other applicable PRC laws as set out below (the “**Relevant Businesses**”). The types of businesses carried out by each of our Consolidated Affiliated Entities and the relevant foreign investment requirements are summarised below.

Consolidated Affiliated Entities	Business activities and relevant foreign investment requirements
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Zhizhe Tianxia

Operation of our Zhihu online platforms

Zhizhe Tianxia operates our Zhihu website and the Zhihu App, through which we provide contents or information in various forms and features such as Q&As, articles, videos and live streaming. We also offer paid membership programs, advertising services, content-commerce solutions and e-commerce services through our Zhihu platforms. The relevant foreign investment requirements are as set out below.

(i) Value-added telecommunication services

The provision of contents and information through our Zhihu online platforms described above constitutes commercial internet information services, hence constituting value-added telecommunication business under the applicable PRC laws and requiring an ICP License. Zhizhe Tianxia holds an ICP License.

According to the 2021 Negative List, provision of value-added telecommunication services, which include commercial internet information services pursuant to the PRC Telecommunications Regulations (《中華人民共和國電信條例》), is a “restricted” business and the shareholding percentage of foreign investors in companies engaged in such services shall not exceed 50%.

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**Business activities and relevant foreign
investment requirements**

According to our verbal consultation with the MIIT in November 2021 (the “**MIIT Consultation**”), an applicant with foreign investment will not be granted an ICP License if it also engages in foreign-prohibited businesses such as radio and television program production and operation or internet audio-visual program services in addition to value-added telecommunication businesses. The provision of certain contents and information through the Zhihu online platforms also constitutes “prohibited” business under the applicable PRC laws and regulations for which foreign investment is not permitted as detailed below.

The MIIT Consultation was conducted with a competent officer of the information and communication administration department (信息通信管理局) of the MIIT on a named basis. As the information and communication administration department of the MIIT is responsible for, among others, the supervision of information communication services, the management of internet (including mobile internet) industry, and telecom and internet business market access pursuant to the introduction published on the official website of MIIT, the PRC Legal Advisor is of the view that such department is competent to provide the confirmation stated above.

(ii) Provision of online pharmaceutical information service

As the content offerings on our Zhihu platforms include pharmaceuticals information, Zhizhe Tianxia is required to hold an Internet Medicine Information Service Qualification (互聯網藥品信息服務資格證書) (“**Qualification Certificate**”) under applicable PRC laws and regulations. Zhizhe Tianxia holds a Qualification Certificate. The Qualification Certificate held by Zhizhe Tianxia is of a non-commercial nature, which is not subject to foreign ownership restrictions. However, as the pharmaceuticals information is part of the contents displayed on our Zhihu platforms, it is inseparable from the value-added telecommunication services provided by Zhizhe Tianxia, the holder of such a Qualification Certificate is therefore subject to the same regulations relating to value-added telecommunication services, including the same foreign investment restrictions as described under part (i) above.

CONTRACTUAL ARRANGEMENTS

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(iii) Radio and television program production and operation

Zhizhe Tianxia engages in the production of content in video format, which constitutes radio and television program production and operation under the applicable PRC laws and regulations. Therefore, Zhizhe Tianxia is required to hold, and has obtained, a Radio and Television Program Production and Operation License (廣播電視節目製作經營許可證).

Under the 2021 Negative List, radio and television program production is a “prohibited” business for which foreign investment is not permitted.

(iv) Operation of commercial internet culture activities

The Zhihu website and the Zhihu App display contents in various formats including videos, games, animation and so on, which constitutes operation of commercial internet culture activities under the applicable PRC laws and regulations. The operating entity of Zhihu website and the Zhihu App therefore needs to hold an Internet Cultural Business License (網絡文化經營許可證) (“**ICB License**”). Zhizhe Tianxia, being the operator of the Zhihu website and the Zhihu App, has obtained an ICB License.

Under the 2021 Negative List, operation of internet culture activities is a “prohibited” business for which foreign investment is not permitted.

(v) Internet audio-visual program services

Zhizhe Tianxia provides video and audio content on our Zhihu online platforms, which falls within the scope of internet audio-visual programs services (互聯網視聽節目服務) under the Administrative Regulations on Internet Audio-visual Program Service (《互聯網視聽節目服務管理規定》).

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According to the Administrative Regulations on Internet Audio-Visual Program Service, entities that provide internet audio-visual program services shall obtain an Audio-Visual Permit or complete a registration with relevant authority. According to the Guiding Opinions on Strengthening the Standardized Management of Network Live Broadcasting (《關於加強網絡直播規範管理工作的指導意見》), live streaming platforms that carry out internet audio-visual program services must hold the Audio-Visual Permit (or complete the registration in the national internet audio-visual platforms information registration and management system) and carry out an ICP filing. In addition, according to the Administrative Regulations on Internet Audio-Visual Program Service, applicants for the Audio-Visual Permit shall, among others, be state wholly owned or state-controlled. Therefore, Zhizhe Tianxia is not eligible to apply for an Audio-Visual Permit but has completed a registration in the National Internet Audio-Visual Platforms Information Registration and Management System (全國網絡視聽平臺信息登記管理系統).

In addition, according to the verbal consultation with the NRTA by the Company, the PRC Legal Advisor and the Legal Advisor to the Joint Sponsors as to PRC law in November 2021 (the “**NRTA Consultation**”), upon registration with the National Internet Audio-Visual Platforms Information Registration and Management System, Zhizhe Tianxia is under the supervision of the NRTA and NRTA’s local counterparts and therefore can continue to provide internet audio-visual program services without obtaining an Audio-Visual Permit; the NRTA and/or its local counterparts will not penalize Zhizhe Tianxia in relation to its lack of such Audio-Visual Permit. Further, it was confirmed during the NRTA Consultation that since the release of the Administrative Regulations on Internet Audio-Visual Program Service in 2007, it is not possible for non-state owned or controlled enterprise, except for enterprises operating lawfully prior to such release, to apply for the Audio-Visual Permit, and the NRTA therefore requests relevant enterprises to complete registration in the national internet audio-visual platforms information registration and management system in order to continue to provide internet audio-visual program services.

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Business activities and relevant foreign investment requirements

The NRTA Consultation was conducted with a competent officer of the internet audio-visual program management department (網絡視聽節目管理司) of the NRTA on a named basis. As the internet audio-visual program management department of the NRTA, among others, supervises the development and publicity of internet audio-visual program services, guides the construction of the supervision system of internet audio-visual programs, and organizes to investigate and deal with illegal internet audio-visual program services pursuant to the introduction published on the official website of NRTA, the PRC Legal Advisor is of the view that such department is competent to provide the confirmation stated above.

Based on the above regulatory provisions and the NRTA Consultation, our PRC Legal Advisor is of the view that Zhizhe Tianxia is permitted to provide internet audio-visual programs services based on its registration in the National Internet Audio-Visual Platforms Information Registration and Management System and without obtaining an Audio-Visual Permit. On the basis set out above as well as discussed with our PRC Legal Advisor, nothing has come to the Joint Sponsors' attention that would reasonably cause them to disagree with the abovementioned view of the PRC Legal Advisor.

According to the 2021 Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in internet audio-visual program services.

(vi) Publication operation

Zhizhe Tianxia engages in distribution of electronic publications through our Zhihu platforms as an integral part of our content offerings, which falls within publication distribution business subject to the Regulations on the Administration of the Publication Market (《出版物市場管理規定》) (the “**Publication Regulations**”) effective on June 1, 2016. Zhizhe Tianxia is therefore required to, and has obtained, a Publication Operation License (出版物經營許可證) under the Publication Regulations.

According to the Publication Regulations, foreign-invested enterprises are permitted to engage in publication distribution business in the PRC.

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Consolidated Affiliated Entities

Business activities and relevant foreign investment requirements

Since the distribution of the electronic publications is an inherent part of our content offerings and must be conducted through our Zhihu platforms, it is an inseparable part of the business carried out by Zhizhe Tianxia which is subject to foreign investment prohibitions and restrictions as described above.

Beijing Leimeng
Shengtong Cultural
Development Co.,
Ltd. (“**Leimeng
Shengtong**”)

Operation of other online platforms

Leimeng Shengtong is expected to operate a new App that we are currently developing (“**New App**”) after it is launched. The App will be a user driven, primarily video-based community App. The relevant foreign investment requirements are as set out below.

(i) Value-added telecommunication services

The provision of contents and information through the New App is expected to constitute value-added telecommunication business through Leimeng Shengtong and it has obtained an ICP License. As described above, value-added telecommunication business is a “restricted” business and the shareholding percentage of foreign investors in companies engaged in such services shall not exceed 50%.

According to the MIIT Consultation, an applicant with foreign investment will not be granted an ICP License if it also engages in foreign-prohibited businesses such as radio and television program production and operation or internet audio-visual program services in addition to value-added telecommunication businesses. We expect Leimeng Shengtong’s operation of websites and Apps would also constitute “prohibited” business under the applicable PRC laws and regulations as described below.

(ii) Radio and television program production and operation

Since the New App is mainly video-based, Leimeng Shengtong is expected to engage in online content production including in video format, which constitutes radio and television program production and operation under the applicable PRC laws and regulations and is a “prohibited” business for which foreign investment is not permitted. Leimeng Shengtong has already obtained a Radio and Television Program Production and Operation License.

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(iii) Operation of commercial internet culture activities

Since the New App would display contents which might constitute operation of commercial internet culture activities, it would require an ICB License. As described above, operation of internet culture activities is a “prohibited” business for which foreign investment is not permitted. Leimeng Shentong holds an ICB License.

(iv) Internet audio-visual program services

Since the New App would display video contents, it would constitute internet audio-visual programs services under the applicable regulations, which is a “prohibited” business for which foreign investment is not permitted. Leimeng Shengtong holds an Audio-Visual Permit.

Tianjin Zhizhe
Wanjuan Culture
Co., Ltd. (“**Tianjin
Zhizhe**”)

Publication business

As part of our ordinary business, we publish books leveraging on the contents generated on our Zhihu platforms. We also carry out publication related businesses such as publication distribution and sales. We conduct our publication business and publication related businesses primarily through Tianjin Zhizhe. The relevant foreign investment requirements are as set out below.

(i) Publication

To conduct businesses of publishing books, newspapers, periodicals, audio-visual products or electronic publications, or internet publishing services, a license for such online or offline business (“**Publication License**”) is required under the applicable PRC laws and regulations.

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investment requirements**

Tianjin Zhizhe currently engages in publication business in partnerships with third-party enterprises that hold a Publication License by entrusting such party to publish publication materials. As the relevant PRC laws and regulations do not prohibit Tianjin Zhizhe from cooperating with independent third-party Publication License holders to carry out publication business, the PRC Legal Advisor is of the view that the Tianjin Zhizhe has complied with the relevant PRC laws and regulations in all material aspects by engaging in partnerships with other enterprises holding a Publication License. The Directors do not consider such cooperation to constitute material reliance on the other enterprises as such cooperation is not exclusive, and Tianjin Zhizhe may, subject to the terms and conditions therein, change its cooperative party as appropriate and necessary. On the basis set out above as well as discussed with the Company and its PRC Legal Advisor, nothing has come to the Joint Sponsors' attention that would reasonably cause them to disagree with the abovementioned views of the Directors and the PRC Legal Advisor.

Tianjin Zhizhe is in the process of applying for a Publication License and expects to carry out the publication business on its own after receiving the license. We have undertaken to the Stock Exchange that Tianjin Zhizhe will not operate any new business that is not subject to any foreign investment restrictions or prohibitions until it has obtained the Publication License or any other required license to operate such business.

The revenue from the publication business of Tianjin Zhizhe contributed approximately 0.04%, 0.38% and 0.21% of the total revenue of our Group for the years ended December 31, 2019, 2020 and 2021, respectively.

According to the 2021 Negative List, foreign investors are prohibited from holding equity interests in businesses of editing, publishing and production of books, newspapers, periodicals, audio-visual products and electronic publications, or internet publishing services.

As we intend to continue to carry out publication business and continue to apply for a Publication License, it is impractical for us to reorganize Tianjin Zhizhe to be a foreign-invested entity as foreign-invested entities are not eligible to apply for the Publication License.

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**Consolidated
Affiliated Entities**

**Business activities and relevant foreign
investment requirements**

(ii) Publication operation

Tianjin Zhizhe also distributes publications, which constitutes publication distribution business and requires a Publication Operation License (出版物經營許可證) under the Publication Regulations. Tianjin Zhizhe holds a Publication Operation License.

According to the Publication Regulations, foreign-invested enterprises are permitted to engage in publication distribution business in the PRC.

However, the publication distribution business of Tianjin Zhizhe is inseparable from its publication business as Tianjin Zhizhe's experience in running publication distribution business contributes to its credentials in procuring the Publication License. Further, since the Company organizes its business contracts relating to the publication business primarily under Tianjin Zhizhe, it is operationally natural and efficient to use the same entity to distribute the publications Tianjin Zhizhe publishes.

Shanghai Pinzhi
Education
Technology Co.,
Ltd. (“**Shanghai
Pinzhi**”)

Online professional exam preparation classes

Shanghai Pinzhi provides online classes relating to professional exam preparation through its relevant website and App.

(i) Value-added telecommunication services

Shanghai Pinzhi's online class offerings constitute commercial internet information services, hence constituting value-added telecommunication business under the applicable PRC laws and requiring an ICP License. Shanghai Pinzhi holds an ICP License.

As described above, value-added telecommunication business is a “restricted” business and the shareholding percentage of foreign investors in companies engaged in such services shall not exceed 50%.

According to the MIIT Consultation, an applicant with foreign investment will not be granted an ICP License if it also engages in foreign-prohibited businesses in addition to value-added telecommunication businesses. Shanghai Pinzhi's business also constitutes “prohibited” business under the applicable PRC laws and regulations for which foreign investment is not permitted as detailed below.

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investment requirements**

(ii) Radio and television program production and operation

The production of online classes constitutes radio and television program production and operation under the applicable PRC laws and regulations. Therefore, Shanghai Pinzhi is required to hold, and has obtained, a Radio and Television Program Production and Operation License.

As described above, radio and television program production is a “prohibited” business for which foreign investment is not permitted.

Shanghai Yinlang
Information
Technology Co.,
Ltd. (“**Shanghai
Yinlang**”)

Online language exam preparation classes

Shanghai Yinlang provides online classes relating to language exam preparation through its relevant website and App.

(i) Value-added telecommunication services

Shanghai Yinlang’s online class offerings constitute commercial internet information services, hence constituting value-added telecommunication business under the applicable PRC laws and requiring an ICP License. Shanghai Yinlang holds an ICP License.

As described above, value-added telecommunication business is a “restricted” business and the shareholding percentage of foreign investors in companies engaged in such services shall not exceed 50%.

According to the MIIT Consultation, an applicant with foreign investment will not be granted an ICP License if it also engages in foreign-prohibited businesses in addition to value-added telecommunication businesses. Shanghai Yinlang’s business also constitutes “prohibited” business under the applicable PRC laws and regulations for which foreign investment is not permitted as detailed below.

(ii) Radio and television program production and operation

The production of online classes constitutes radio and television program production and operation under the applicable PRC laws and regulations. As described above, radio and television program production is a “prohibited” business for which foreign investment is not permitted.

CONTRACTUAL ARRANGEMENTS

Consolidated Affiliated Entities

Business activities and relevant foreign investment requirements

Shanghai Yinlang currently carries out such business in partnership with Shanghai Pinzhi, which holds a Radio and Television Program Production and Operation License, by entrusting such party to produce radio and television programs. As the relevant PRC laws and regulations do not prohibit Shanghai Yinlang from cooperating with a third-party Radio and Television Program Production and Operation License holder to carry out radio and television program production business, the PRC Legal Advisor is of the view that Shanghai Yinlang has complied with the relevant PRC laws and regulations in all material aspects by engaging in such business in partnerships with other enterprises holding a Radio and Television Program Production and Operation License. The Directors do not consider such cooperation to constitute material reliance on the other enterprises as such cooperation is not exclusive, and Shanghai Yinlang may, subject to the terms and conditions therein, change its cooperative party as appropriate and necessary.

Shanghai Yinlang is in the process of applying for a Radio and Television Program Production and Operation License and expects to carry out the said business on its own after receiving the license. We have undertaken to the Stock Exchange that Shanghai Yinlang will not operate any new business that is not subject to any foreign investment restrictions or prohibitions until it has obtained the Radio and Television Program Production and Operation License or any other required license to operate such business. The revenue ratio calculated with reference to the revenue from Shanghai Yinlang and the revenue of the Group for the year ended December 31, 2021 was lower than 0.1%.

Biban Entities

Shanghai Yinzhen Information Technology Co., Ltd., Shanghai Yinzi Information Technology Co., Ltd., Shanghai Yincheng Information Technology Co., Ltd., Shanghai Yinlu Information Technology Co., Ltd., Shanghai Yinjia Information Technology Co., Ltd., Shanghai Yinxi Information Technology Co., Ltd., Shanghai Yinqian Information Technology Co., Ltd. and Shanghai Yinhao Information Technology Co., Ltd. provide language exam preparation and related services; Shanghai Pa Ya Information Technology Co., Ltd. promotes company products; and Chongqing Paya Education Technology Co., Ltd. engages in publication distribution business (the aforesaid entities, collectively, the “**Biban Entities**”). The revenue ratio calculated with reference to the revenue from the Biban Entities and the revenue of the Group for the year ended December 31, 2021 was lower than 1.5%. The majority of the revenue of the Biban Entities arose from the provision of language exam preparation and related services; they did not generate material income from promoting company products or publication distribution.

CONTRACTUAL ARRANGEMENTS

Consolidated Affiliated Entities

Business activities and relevant foreign investment requirements

The businesses engaged by the Biban Entities are not subject to any foreign investment prohibition or restrictions under the 2021 Negative List. We are currently in the process of reorganizing the Biban Entities so that they will be held by Shanghai Paya Information Technology Co., Ltd. (“**Shanghai Paya**”) and will no longer be subject to the Contractual Arrangements. The Reorganization involves the following main steps: Reorganization will first take place within the Biban Entities so that one of the Biban Entities (the “**Biban Parentco**”) will become the holding entity of the other Biban Entities, holding 100% of each of their share capital; a foreign investor will subscribe shares in the Biban Parentco, thereby converting the Biban Parentco to a sino-foreign joint venture; then Shanghai Biban and the foreign investor will transfer all of their shares in the Biban Parentco to Shanghai Paya. The Reorganization requires preparing and submitting filings to local counterparts of SAMR, SAFE and the Ministry of Commerce of the PRC in the places of incorporation of the relevant Biban Entities which will require substantial amount of time (up to six months) and work to complete. We have undertaken to the Stock Exchange to complete the said reorganization within four months following the Listing and that we will not conduct or acquire or hold any new business through the Biban Entities that is not subject to any foreign investment restrictions or prohibitions until such reorganization is completed.

Entities for investment holding

Jingzhun Huinong (Beijing) Internet Technology Co., Ltd., Nanjing Zhizhe Tianxia Information Technology Co., Ltd., Nanjing Zhizhu Technology Co., Ltd., Nanjing Zhihao Technology Co., Ltd., Nanjing Zhixin Technology Co., Ltd., and Shanghai Biban Network Technology Co., Ltd. (“**Shanghai Biban**”) are companies that exist in our Group for the purpose of investment holding; they are for us to better organise our corporate structure and provide flexibility for future acquisitions and/or disposals.

These entities do not conduct any business operations themselves and are not expected to have commenced any business operations by the time of the Listing. The Company has undertaken to the Stock Exchange that it will not conduct or acquire or hold any businesses that are not subject to foreign investment restrictions or prohibitions through these entities or, to the extent that it does, it will directly hold the maximum percentage of ownership interests in the entities that carry out such business permissible under relevant PRC laws and regulations in respect of such business and will transfer such entities outside of the VIE structure prior to engaging in any unrestricted businesses to ensure the VIE is narrowly tailored.

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Qualification Requirements under the FITE Regulations

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), last amended with immediate effect on February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including ICP services. In addition, the FITE Regulations stipulates that the main foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC, pursuant to which, the applicant shall provide, among other things, proof of the Qualification Requirements. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements.

As advised by our PRC Legal Advisor, (i) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements; and (ii) foreign investor’s fulfillment of the Qualification Requirements remains ultimately subject to substantive examination of the MIIT. Given that (i) foreign investment in radio and television program production and operation business, operation of commercial internet cultural activities, provision of internet audio-visual program services is prohibited under current PRC laws and regulations; and (ii) Radio and Television Program Production and Operation License, ICB License, eligibility to register in the National Internet Audio-Visual Platforms Information Registration and Management System will not be granted to any foreign invested enterprise; and (iii) as confirmed in the MIIT Consultation, an applicant with foreign investment will not be granted an ICP License if it also engages in foreign-prohibited businesses, it is not viable for our Company to hold Zhizhe Tianxia, Leimeng Shengtong, Shanghai Pinzhi and Shanghai Yinlang directly or indirectly through equity ownership.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas value-added telecommunications services business operation for the purposes of being qualified, as early as possible, to acquire the entire equity interests in the Consolidated Affiliated Entities that hold the license for operating value-added telecommunications services when the relevant PRC laws and regulations allow foreign investors to invest and to directly hold equity interest in value-added telecommunications services enterprises in China. We are in the process of expanding our overseas value-added telecommunications services business through our overseas subsidiaries. We have taken the following measures to meet the Qualification Requirements:

- i. our Company has, through its subsidiaries, registered and submitted for registration a number of trademarks in various overseas jurisdictions; and

CONTRACTUAL ARRANGEMENTS

- ii. we are in the process of preparing registration of further trademarks in various overseas jurisdictions.

Accordingly, subject to the discretion of the competent authority on whether we have fulfilled the Qualification Requirements, our PRC Legal Advisor is of the view that, the above steps taken by us may be considered to be reasonable and appropriate in relation to the Qualification Requirements as such steps may enable our Group to have operation experiences related to the telecommunication business in overseas markets.

OUR CONTRACTUAL ARRANGEMENTS

Overview

Our Consolidated Affiliated Entities are currently the Onshore Holdcos and their subsidiaries (if any), which were all established under the PRC laws. As described above, investment in certain areas of the industries in which we currently operate and may operate are subject to restrictions under current PRC laws and regulations. After consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in the PRC for industries subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements between the WFOEs, on the one hand, and our Consolidated Affiliated Entities and the Registered Shareholders, on the other hand.

In order to comply with the relevant PRC laws and regulations described above, while availing ourselves of international capital markets and maintaining effective control over all of our operations, our Company gained control over (a) Zhizhe Tianxia and its subsidiaries by entering into a series of contractual arrangements through Zhizhe Sihai with Zhizhe Tianxia and its then registered shareholders initially in July 2018. In order to comply with the requirements under the Listing Decision LD43-3, we replaced such contractual arrangements with the contractual arrangements currently in effect in December 2021; other than the changes required by the Listing Decision LD43-3, there were no material difference between the effect of the two sets of contractual arrangements; (b) Shanghai Pinzhi by entering into a series of contractual arrangements through Shanghai Zhishi Commercial Consulting Co., Ltd. (“**Shanghai Zhishi**”) with Shanghai Pinzhi and its Registered Shareholders in September 2021, and (c) Shanghai Biban and its subsidiaries by entering into a series of contractual arrangements through Shanghai Paya with Shanghai Biban and its Registered Shareholders in November 2021. Pursuant to the Contractual Arrangements, the WFOEs acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and have become entitled to all the economic benefits derived from their operations. We do not control our Consolidated Affiliated Entities by holding equity stake in them.

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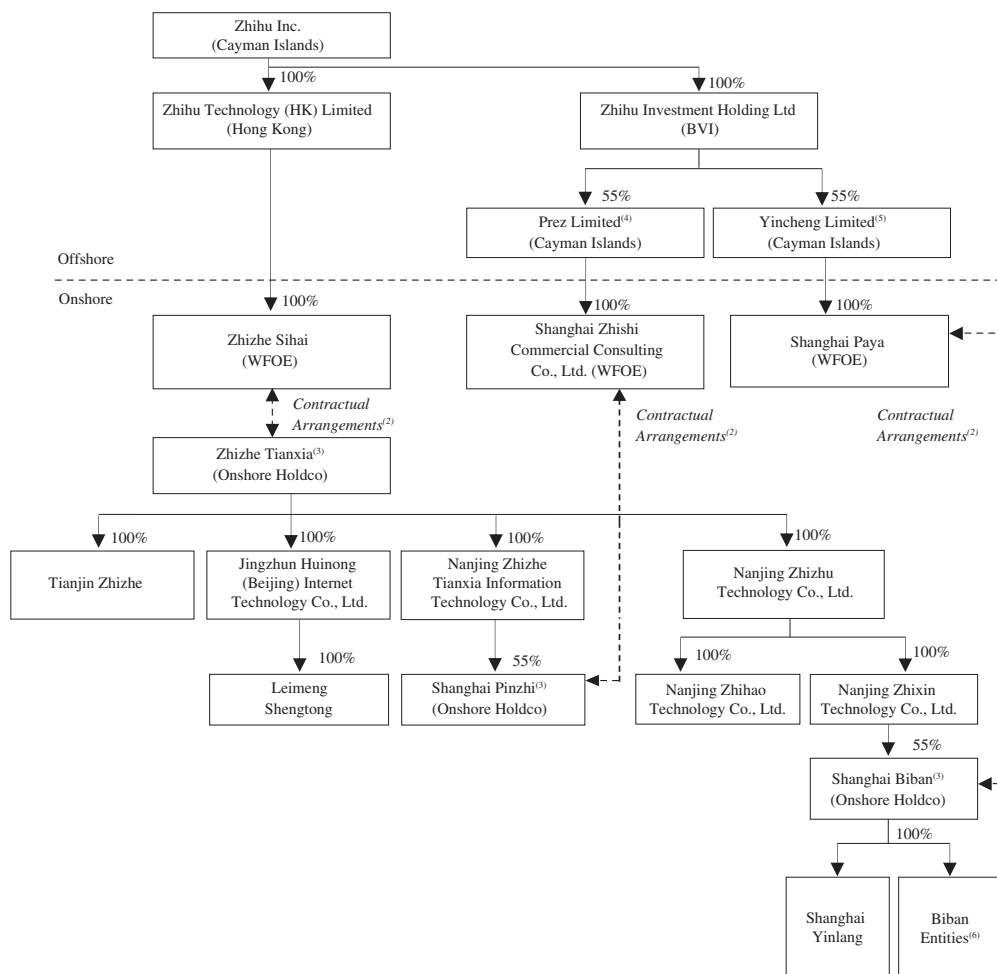
Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between the WFOEs and our Consolidated Affiliated Entities; (ii) by entering into exclusive service and consultation agreements with the WFOEs, being subsidiaries of our Company, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after Listing; and (iii) a number of other companies in the same or similar industries to those in which we operate use similar arrangements to accomplish the same purpose. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize the potential for conflict with relevant PRC laws and regulations to the maximum extent.

During the years ended December 31, 2019, 2020 and 2021, the revenue contribution of the Consolidated Affiliated Entities accounted for 15.3%, 27.4% and 25.9% of our total revenue, respectively. The majority of the said revenue of the Consolidated Affiliated Entities were from Zhizhe Tianxia which consisted mainly of revenue from paid membership which was distributed based on premium content offered on our Zhihu app. For clarity, the Group's advertising revenue and content-commerce solutions revenue were primarily recorded under Zhihu Network, which is a subsidiary of the Company and not a Consolidated Affiliated Entity. Zhihu Network contracts with Zhizhe Tianxia to publish advertisements and other related contents on the Zhihu platforms. Such arrangement does not breach any PRC laws or regulations and is commonly seen in the industry as advised by CIC. The PRC Legal Advisor is of the view that the aforesaid arrangement is compliant under PRC laws and regulations. The PRC Legal Advisor conducted a consultation with Beijing Communications Administration (北京市通信管理局) and it was confirmed that an entity such as Zhihu Network is allowed to distribute contents prepared by it through a third party platform operator with a valid ICP License such as Zhizhe Tianxia.

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Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities (as of the Latest Practicable Date) to our Group under the Contractual Arrangements:



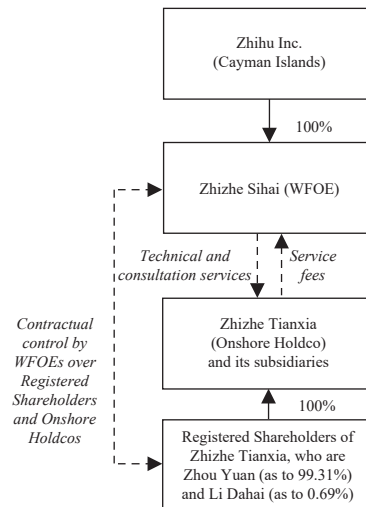
Notes:

- (1) “->” denotes direct legal ownership.
- (2) “<--->” denotes the contractual relationship among the WFOEs, the Onshore Holdcos and the Registered Shareholders:
 - (a) provision of technical and consultation services by the WFOEs to the Onshore Holdcos pursuant to the exclusive business cooperation agreements;
 - (b) the payment of service fees by the Onshore Holdcos to the WFOEs, which represents the flow of economic benefits from the Onshore Holdcos to the WFOEs, pursuant to the exclusive business cooperation agreements;
 - (c) the WFOEs’ control over the Onshore Holdcos through the powers of attorney to exercise all shareholders’ rights of the Registered Shareholders in the Onshore Holdcos;
 - (d) the WFOEs’ exclusive call options to acquire all or part of the equity interests in the Onshore Holdcos; and
 - (e) equity pledges provided by the Registered Shareholders over the equity interests in the Onshore Holdcos in favor of the WFOEs.

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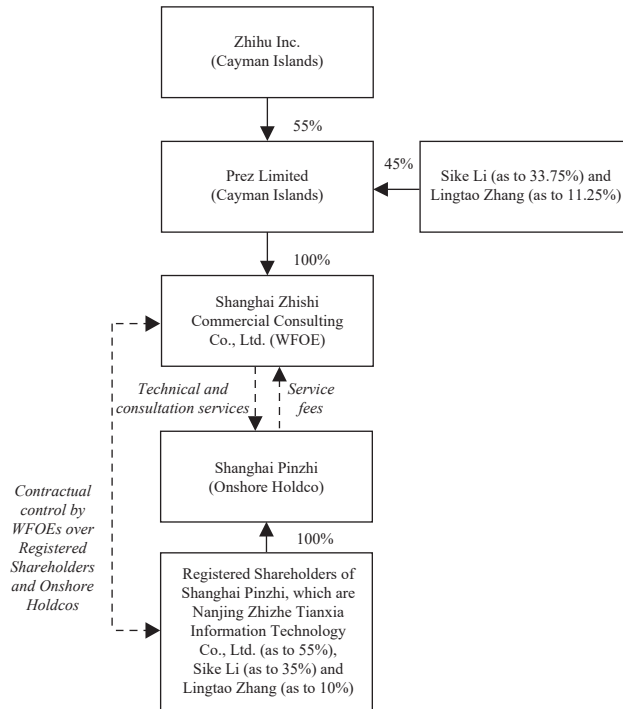
- (3) The Registered Shareholders refer to the registered shareholders of the Onshore Holdcos and are as detailed below:
- (a) Zhizhe Tianxia is owned by Zhou Yuan as to 99.31% and Li Dahai as to 0.69%.
 - (b) Shanghai Pinzhi is owned by Nanjing Zhizhe Tianxia Information Technology Co., Ltd. as to 55%, Sike Li as to 35% and Lingtao Zhang as to 10%. Sike Li and Lingtao Zhang were the owners of the business of Shanghai Pinzhi and sold 55% interest in Shanghai Pinzhi to us in 2021. Prior to the acquisition, Shanghai Pinzhi was an independent content provider on our Zhihu platforms; Sike Li and Lingtao Zhang are independent third parties of the Company.
 - (c) Shanghai Biban is owned by Nanjing Zhixin Technology Co., Ltd. as to 55%, Changjian Ma as to 27% and Wenjing Zhao as to 18%. Changjian Ma and Wenjing Zhao were the owners of the business of Shanghai Biban and its subsidiaries and sold 55% interest in Shanghai Biban to us in 2021. Prior to the acquisition, Shanghai Biban (including its subsidiaries) was a supplier of content on our Zhihu platforms; Changjian Ma and Wenjing Zhao are independent third parties of the Company.
- (4) Prez Limited is indirectly owned by the Company as to 55%. Its remaining equity interests are ultimately owned by Sike Li as to 33.75% and Lingtao Zhang as to 11.25%.
- (5) Yincheng Limited is indirectly owned by the Company as to 55%. Its remaining equity interests are ultimately owned by Changjian Ma as to 27% and Wenjing Zhao as to 18%.
- (6) We are currently in the process of reorganizing the Biban Entities so that they will be held by Shanghai Paya and will no longer be subject to the Contractual Arrangements. We have undertaken to the Stock Exchange to complete the said reorganization within four months following the Listing.
- (7) For simplicity, some of the Company's wholly-owned subsidiaries are omitted from the above diagram. For details of the Company's complete group structure, see "History, Development and Corporate Structure".

Below are further simplified diagrams illustrating the flow of economic benefits from our Consolidated Affiliated Entities (as of the Latest Practicable Date) to our Group under the Contractual Arrangements:

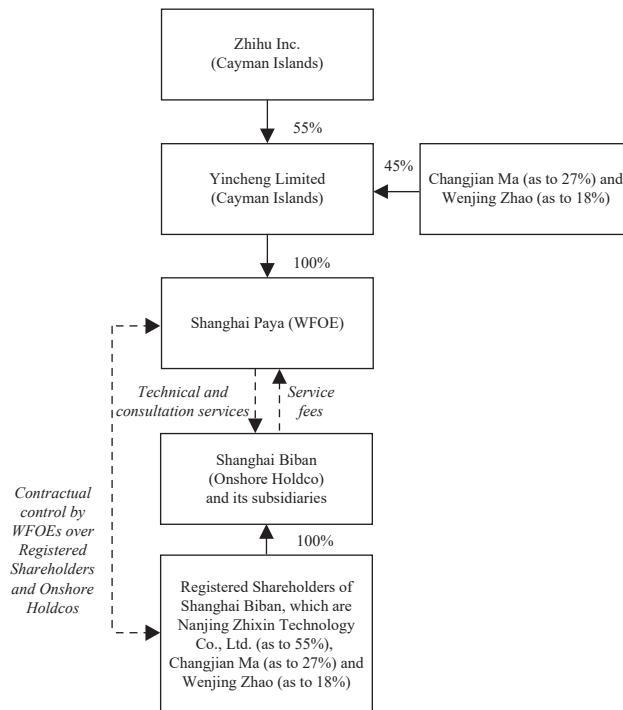


Note: See Notes (1)-(3), (7) of the diagram on page 281.

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Note: See Notes (1)-(3), (4), (7) of the diagram on page 281.



Note: See Notes (1)-(3), (5), (7) of the diagram on page 281.

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Circumstances under which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable to the extent permissible under the applicable PRC laws and regulations.

We will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations in respect of our provision of value-added telecommunication services, if the relevant government authority grants ICP License to sino-foreign equity joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

We will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations, or will unwind and terminate the Contractual Arrangements entirely should the foreign ownership restrictions or prohibitions are fully lifted, in respect of our radio and television program production and operation, operation of commercial internet culture activities and Internet audio-visual program services.

Summary of the material terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreements

Zhizhe Tianxia entered into an exclusive business cooperation agreement with Zhizhe Sihai on December 21, 2021 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which Zhizhe Tianxia agrees to engage Zhizhe Sihai as its exclusive provider of business support, technical and consulting services, including without limitation technical services, network support, business consultation, intellectual property licensing, equipment and leasing, market consultancy, system integration, product research and development and system maintenance, and management consulting services relating to Zhizhe Tianxia’s operations, in exchange for service fees. Under these arrangements, the service fees, subject to Zhizhe Sihai’s adjustment, are equal to all of the net profit of the Zhizhe Tianxia and its subsidiaries. Zhizhe Sihai may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of Zhizhe Tianxia and its subsidiaries from previous financial periods. If Zhizhe Tianxia runs into financial deficit or suffers severe operation difficulties, Zhizhe Sihai will provide financial support to Zhizhe Tianxia.

Intellectual property rights are developed during the normal course of business of Zhizhe Tianxia and its subsidiaries. Pursuant to the Exclusive Business Cooperation Agreement, Zhizhe Sihai will have the exclusive and proprietary rights to all intellectual properties developed by Zhizhe Tianxia and its subsidiaries, in connection with performance of the Exclusive Business Cooperation Agreement.

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Unless otherwise terminated early by Zhizhe Sihai, the Exclusive Business Cooperation Agreement will remain effective unless terminated in the event that (a) the entire equity interests held by the Registered Shareholders in Zhizhe Tianxia or the entire assets of Zhizhe Tianxia have been transferred to Zhizhe Sihai; (b) in accordance with the other provisions of the Exclusive Business Cooperation Agreement.

Shanghai Pinzhi entered into an exclusive technology development, consultancy and services agreement with Shanghai Zhishi on September 7, 2021 (the “**Pinzhi Exclusive Business Cooperation Agreement**”), pursuant to which Shanghai Pinzhi agrees to engage Shanghai Zhishi as its exclusive provider of technology development, consultancy and services in exchange for service fees. The service fees shall be equal to the total consolidated net profit of Shanghai Pinzhi, after deducting the business expenses as confirmed by both parties. Shanghai Zhishi may adjust the service fees at its sole discretion, taking into account the content of the services provided during the year and the business need of Shanghai Pinzhi. Shanghai Shishi may provide financial support to Shanghai Pinzhi to ensure Shanghai Pinzhi can meet its operational cash flow requirements and/or to support it when it suffers operational losses. Unless otherwise terminated early by mutual agreement or pursuant to provisions set forth therein, the Pinzhi Exclusive Business Cooperation Agreement shall have a term of twenty years from date of signing. The remaining principal terms of the Pinzhi Exclusive Business Cooperation Agreement are substantially similar to those under the Exclusive Business Cooperation Agreement as set out above. Shanghai Biban entered into an exclusive technology development, consultancy and services agreement with Shanghai Paya on November 9, 2021 (the “**Biban Exclusive Business Cooperation Agreement**”), the principal terms of which are substantially the same as those under the Pinzhi Exclusive Business Cooperation Agreement.

Exclusive Option Agreements

Zhizhe Tianxia and its Registered Shareholders entered into an exclusive option agreement with Zhizhe Sihai dated December 21, 2021 (the “**Exclusive Option Agreement**”), pursuant to which Zhizhe Sihai or its designee is granted an irrevocable and exclusive right to purchase all of the equity interest in and/or assets of Zhizhe Tianxia for a nominal price, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to relevant PRC laws and regulations, the Registered Shareholders of Zhizhe Tianxia and/or Zhizhe Tianxia shall return any amount of purchase price they have received to Zhizhe Sihai or its designee. At Zhizhe Sihai’s request, the Registered Shareholders of Zhizhe Tianxia will promptly transfer their respective equity interests in and/or the relevant assets of Zhizhe Tianxia to Zhizhe Sihai or its designee after Zhizhe Sihai exercises its purchase right. Unless otherwise terminated early by Zhizhe Sihai through written notice, the Exclusive Option Agreement will remain effective until when all the purchased equity interests and/or the relevant assets are transferred to Zhizhe Sihai and/or the designee and Zhizhe Sihai and its subsidiaries have the right to legally conduct the business of Zhizhe Tianxia according to the PRC law.

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During the term of the Exclusive Option Agreement, Zhizhe Tianxia is not allowed to, and shall procure its subsidiaries not to, sell, transfer, mortgage or otherwise dispose of any of its assets (exceeding the value of RMB1 million) without the prior written consent of Zhizhe Sihai. In addition, the Registered Shareholders are not allowed to request for any distributions, gains or other form of profits sharing and should forgo such distributions, gains or any other form of profits sharing within the scope permitted by the PRC law. In the event that the Registered Shareholders of Zhizhe Tianxia receive any distribution from Zhizhe Tianxia and/or its subsidiaries and subject to the PRC laws, the Registered Shareholders must immediately pay or transfer such distribution to Zhizhe Sihai or its designee. If Zhizhe Sihai exercises its purchase right, all or any part of the equity interests in and/or assets of Zhizhe Tianxia acquired would be transferred to Zhizhe Sihai and the benefits of equity ownership and/or assets, as applicable, would flow to us and our Shareholders.

As provided in the Exclusive Option Agreement, without the prior written consent of Zhizhe Sihai, Zhizhe Tianxia shall not, and shall procure its subsidiaries not to, among other things, (i) sell, transfer, pledge or dispose of in any manner any of its assets for a value more than RMB1 million; (ii) execute any material contract for a value more than RMB1 million, except any contracts in the ordinary course of business and any contracts entered into with any members of our Group; (iii) provide any loan, financial support, pledge or guarantees in any form to any third party, or allow any third party create any pledge or other security interest on its assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business of Zhizhe Tianxia or not disclosed and consented to by Zhizhe Sihai; (v) enter into any consolidation or merger with any third party, or acquire or invest in any third party; (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. As such, the potential adverse effect on Zhizhe Sihai and us in the event of any loss suffered from Zhizhe Tianxia and/or its subsidiaries can be limited to a certain extent.

Shanghai Pinzhi entered into an exclusive option agreement with Shanghai Zhishi on September 7, 2021 (the “**Pinzhi Exclusive Option Agreement**”), pursuant to which Shanghai Zhishi or its designee is granted an irrevocable and exclusive right to purchase all of the equity interest in and/or assets of Shanghai Pinzhi for RMB10 or the lowest amount allowed by PRC laws and regulations. The Pinzhi Exclusive Option Agreement shall take effect from the date of signing and terminate when all the purchased equity interests and/or assets are transferred to Shanghai Zhishi or its designee. The remaining principal terms of the Pinzhi Exclusive Option Agreement are substantially similar to those under the Exclusive Option Agreement, except that the materiality threshold under the Pinzhi Exclusive Option Agreement for the corporate actions that require Shanghai Zhishi’s consent is RMB500 thousand or higher (rather than RMB1 million). Shanghai Biban entered into an exclusive option agreement with Shanghai Paya on November 9, 2021 (the “**Biban Exclusive Option Agreement**”), the principal terms of which are substantially the same as those under the Pinzhi Exclusive Option Agreement.

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Shareholders' Rights Entrustment Agreement and Powers of Attorney

Pursuant to the shareholder's rights entrustment agreement entered into among the Registered Shareholders of Zhizhe Tianxia, Zhizhe Sihai and Zhizhe Tianxia on December 21, 2021 (the "**Shareholders' Rights Entrustment Agreement**"), and the irrevocable power of attorney executed by each of the Registered Shareholders of Zhizhe Tianxia on the same day (the "**Power of Attorney**"), whereby the Registered Shareholders appointed Zhizhe Sihai or a director of its offshore holding company or his or her successor (including a liquidator replacing such director) as their exclusive agent and attorney to act on their behalf on all matters concerning Zhizhe Tianxia and to exercise all of its rights as a registered shareholder of Zhizhe Tianxia; such attorney cannot be the Registered Shareholder himself/herself or another Registered Shareholder of Zhizhe Tianxia. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to appoint the legal representative (chairperson), the director, supervisor, the chief executive officer (or general manager) and other senior management members of Zhizhe Tianxia. The authorized person is entitled to sign minutes, file documents with the relevant companies registry and exercise voting rights in Zhizhe Tianxia on behalf of the relevant Registered Shareholders. As a result of the Shareholders' Rights Entrustment Agreement and the Powers of Attorney, we, through Zhizhe Sihai, are able to exercise management control over the activities that most significantly impact the economic performance of Zhizhe Tianxia. The Shareholders' Rights Entrustment Agreement and the Powers of Attorney shall automatically terminate once Zhizhe Sihai or its designee directly holds the entire equity interests in and/or the entire assets of Zhizhe Tianxia once permitted under the then PRC laws and Zhizhe Sihai or its designee is allowed to conduct the Relevant Businesses of Zhizhe Tianxia.

The Registered Shareholders of Shanghai Pinzhi each entered into a power of attorney on September 7, 2021 (the "**Pinzhi Power of Attorney**") in favor of Shanghai Zhishi, the principal terms of which are substantially similar to those under the Shareholders' Rights Entrustment Agreement as set out above except that the Pinzhi Power of Attorney shall terminate upon the earlier of (a) the relevant Registered Shareholder ceasing to be a shareholder of Shanghai Pinzhi and (b) when the attorney terminates such Power of Attorney by written notice to the relevant Registered Shareholder. The Registered Shareholders of Shanghai Biban each entered into a power of attorney on November 9, 2021 (the "**Biban Power of Attorney**") in favor of Shanghai Paya, the principal terms of which are substantially the same as those under the Pinzhi Powers of Attorney.

Share Pledge Agreement

Zhizhe Tianxia, the Registered Shareholders of Zhizhe Tianxia and Zhizhe Sihai entered into a share pledge agreement on December 21, 2021 (the "**Share Pledge Agreement**"). Under the Share Pledge Agreement, the Registered Shareholders of Zhizhe Tianxia will pledge all of their respective equity interests in Zhizhe Tianxia to Zhizhe Sihai as collateral security for any or all of their payments due to Zhizhe Sihai and to secure performance of their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement,

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Shareholders' Rights Entrustment Agreement and the Powers of Attorney. The Share Pledge Agreement will not terminate until (i) all obligations of Zhizhe Tianxia and its Registered Shareholders are satisfied in full; (ii) Zhizhe Sihai exercises its exclusive option to purchase the entire equity interests held by the Registered Shareholders in Zhizhe Tianxia and/or the entire assets of Zhizhe Tianxia pursuant to the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws; (iii) Zhizhe Sihai exercises its unilateral and unconditional right of termination; or (iv) the Share Pledge Agreement is required to be terminated in accordance with applicable PRC laws. Should an event of default (as provided in the Share Pledge Agreement) occur, unless it is successfully resolved to Zhizhe Sihai's satisfaction within 30 days upon being notified by Zhizhe Sihai, Zhizhe Sihai may demand that Zhizhe Tianxia immediately pay all outstanding payments due under the Exclusive Business Cooperation Agreement, repay any loans and make all other payments due to it, and/or dispose of the pledged equity interests and use the proceeds to repay any outstanding payments due to Zhizhe Sihai. The Registered Shareholders of Zhizhe Tianxia have pledged their equity interests in Zhizhe Tianxia to Zhizhe Sihai and registered such pledges with the relevant PRC governmental authority pursuant to PRC laws and regulations.

Shanghai Pinzhi, the Registered Shareholders of Shanghai Pinzhi and Shanghai Zhishi entered into a share pledge agreement on September 7, 2021 (the "**Pinzhi Share Pledge Agreement**") which shall terminate upon all obligations of Shanghai Pinzhi and its Registered Shareholders under the Pinzhi Exclusive Business Cooperation Agreement, the Pinzhi Exclusive Option Agreement and the Pinzhi Powers of Attorney are satisfied in full. The remaining principal terms of the Pinzhi Share Pledge Agreement are substantially similar to those under the Share Pledge Agreement as set out above. Shanghai Biban, the Registered Shareholders of Shanghai Biban and Shanghai Paya entered into a share pledge agreement on November 9, 2021 (the "**Biban Share Pledge Agreement**"), the principal terms of which are substantially the same as those under the Pinzhi Share Pledge Agreement.

Other key terms thereunder

Dispute resolution

Each of the Contractual Arrangements stipulates that the parties thereto shall negotiate in good faith to resolve any dispute with respect to the construction and performance of the provisions of any such Contractual Arrangements. Under the Contractual Arrangements involving Zhizhe Tianxia, its Registered Shareholders and Zhizhe Sihai, in the event the parties fail to resolve such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the Beijing Arbitration Commission for arbitration, in accordance with its then effective arbitration rules. Under the Contractual Arrangements involving Shanghai Pinzhi, its Registered Shareholders and Shanghai Zhishi and those involving Shanghai Biban, its Registered Shareholders and Shanghai Paya, in the event the parties fail to resolve such a dispute within 30 days or 15 business days (as applicable) after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its then effective

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arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the Contractual Arrangements also provides that (i) the arbitral tribunal may award remedies over the equity interests, assets or property interest of the Onshore Holdcos, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the Onshore Holdcos; and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdiction (being the place of domicile of the Onshore Holdcos and where the principal assets of the Onshore Holdcos and WFOEs are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the equity or property interest of the Onshore Holdcos.

However, our PRC Legal Advisor has advised that (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of the Onshore Holdcos under PRC laws; and (ii) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that the Onshore Holdcos or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. Please refer to the section headed “Risk Factors—Risks Related to Our Corporate Structure—Our contractual arrangements may not be as effective in providing operational control as direct ownership and shareholders of our VIEs may fail to perform their obligations under our contractual arrangements.” of this prospectus for details.

Agreements of the Registered Shareholders

According to the terms of the Contractual Arrangements to which the registered shareholders of Zhizhe Tianxia are parties, each of the registered shareholders of the Onshore Holdcos has agreed to the effect that, in the event of death or any other event which affects the ability of the shareholder to exercise rights of his or her shares in the Onshore Holdcos, including bankruptcy, marriage or divorce, the successors of the registered shareholders shall be deemed as a signing party to the relevant agreement, inherit and carry on all rights and obligations of the registered shareholder thereunder, and in accordance with the Exclusive Option Agreement, transfer all of the equity interests in the Onshore Holdcos held by them to the WFOEs or the WFOE’s designee under applicable PRC law. According to the terms of the Pinzhi Share Pledge Agreement and Biban Share Pledge Agreement, the registered shareholders of Shanghai Pinzhi and Shanghai Biban agree that the pledge interests acquired by Shanghai Zhishi and Shanghai Paya respectively in accordance with the relevant share pledge agreement shall not be interrupted or damaged by any legal proceedings initiated by the registered shareholders themselves, their successors, spouses (as applicable), agents or any other persons.

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Spouse undertakings

In addition, the spouse of each of Mr. Zhou and Dahai Li executes an irrevocable undertaking on December 21, 2021, the spouse of each of Lingtao Zhang and Sike Li executes an irrevocable undertaking on September 7, 2021, whereby they expressly and irrevocably acknowledge and undertake that they will not have any claim on the interests of the Onshore Holdcos obtained through the Contractual Arrangements.

Arrangements to address potential conflicts of interest

Each of the Registered Shareholders of the Onshore Holdcos has given their irrevocable undertakings in the shareholders' rights entrustment agreement or power of attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. For further details, see the sub-paragraph headed “—Shareholders' Rights Entrustment Agreement and Powers of Attorney” above.

Loss sharing

None of the agreements constituting the Contractual Arrangements provides that our Company or the WFOEs is obligated to share the losses of the Onshore Holdcos, but if the Onshore Holdcos suffer any losses, the WFOEs will provide financial support as permitted under PRC laws at its discretion to the Onshore Holdcos under the terms of the exclusive business cooperation agreements. Further, the Onshore Holdcos are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company and the WFOEs are not expressly required to share the losses of the Onshore Holdcos or provide financial support to the Onshore Holdcos. Despite the foregoing, given that we conduct the Relevant Businesses in the PRC through the Consolidated Affiliated Entities which hold the requisite PRC licenses and approvals and that the Onshore Holdcos' results of operations and assets and liabilities are consolidated into our results of operations and assets and liabilities under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffered losses.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by PRC laws, Zhizhe Tianxia shall sell all of its assets, to the extent permitted by PRC laws, to Zhizhe Sihai or its designee, at the lowest selling price permitted by applicable PRC laws. Any obligation for Zhizhe Sihai to pay the Zhizhe Tianxia as a result of such transaction shall be waived by Zhizhe Tianxia and any profits arising from the above transactions shall be paid to Zhizhe Sihai or the qualifying entity designated by Zhizhe Sihai in partial satisfaction of the service fees under the Exclusive Business Cooperation Agreement, as applicable under the then current PRC laws.

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Insurance

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, we believe our Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations to the maximum extent and our PRC Legal Advisor is of the opinion that:

- (i) each of the WFOEs and the Onshore Holdcos is an independent legal entity which is duly established, and their respective establishment is valid, effective and complies with the relevant PRC laws;
- (ii) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto and none of them would be deemed as void under the PRC Civil Code;
- (iii) none of the agreements under the Contractual Arrangements violates any provisions of respective articles of association of the WFOEs and the Consolidated Affiliated Entities;
- (iv) the Contractual Arrangements do not require any approvals from the PRC governmental authorities, except that (a) the pledges under the Share Pledge Agreement are required to be registered with the relevant local SAMR; (b) the exercise of the option by WFOEs of its right under Exclusive Option Agreement to all or part of the equity interests in our Onshore Holdcos is subject to the approvals of, consent of, filing with and/or registration with the PRC governmental authorities; and (c) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement;

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- (v) the Contractual Arrangements are not in violation of applicable and explicit PRC laws and regulations currently in effect, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of the Onshore Holdcos, injunctive relief and/or winding up of the Onshore Holdcos, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Onshore Holdcos in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

Our PRC Legal Advisor is of the view that the use of the Contractual Arrangements does not constitute a breach of the explicit and relevant PRC laws and regulations currently in effect and is expected to remain compliant after the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for comments) take effect in their current forms. However, we have been advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Advisor.

Based on the above advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. In the unlikely event we become unable to enforce our Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose not only the ability to consolidate their revenues but also the control over their business operations, such as the Zhihu platforms operated by them. See the section headed “Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.”

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Connected Transactions” of this prospectus.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of operating entities

Under the exclusive business cooperation agreement, it was agreed that, in consideration of the services provided by the WFOEs, the Onshore Holdcos shall pay service fees to the WFOEs. The services fee shall equal to the Onshore Holdcos' consolidated profit before tax excluding the service fee thereunder, after deducting any accumulated losses of the Consolidated Affiliated Entities from the preceding fiscal year, and any costs, expenses, tax and other statutory contribution in relation to the respective fiscal year. The WFOEs have the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the exclusive option agreement, the WFOEs have absolute contractual control over the distribution of dividends or any other amounts to the registered shareholders of the Onshore Holdcos as the relevant WFOE's prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the services fee under the exclusive business cooperation agreement, such income, profit distribution or dividend to the WFOEs or any other person designated by the WFOEs to the extent permitted under applicable PRC laws.

As a result of the Contractual Arrangements between the WFOEs, the Onshore Holdcos and the Registered Shareholders, the WFOEs are able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 1 to the Accountant's Report set out in Appendix I of this prospectus.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted but not limited to the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and

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- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOEs and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementing Rules of Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign-Invested Enterprises Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementing Rules of Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of our consolidated Affiliated Entities, by the WFOE, through which we operate our business in the PRC. As advised by our PRC Legal Advisor, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see "Contractual Arrangements—Legality of the Contractual Arrangements."

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council" without elaboration on the meaning of "other methods." There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See "Risk Factors—Risks relating to our Corporate Structure—Our current corporate structure and business operations may be affected by the Foreign Investment Law."

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You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 including the notes thereto, included in the Accountant’s Report in Appendix I. Our consolidated financial information has been prepared in accordance with U.S. GAAP. For reconciliation statements setting out the financial effect of any material differences between our financial statements prepared in accordance with U.S. GAAP and financial statements prepared using IFRS, see “Financial Information–Reconciliation Between U.S. GAAP and IFRS”, Note 27 to the Accountant’s Report in Appendix I.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus. For further details, see “Forward-Looking Statements.”

OVERVIEW

Zhihu is one of the top five comprehensive online content communities and the largest Q&A-inspired online community in China, both in terms of average mobile MAUs and revenue in 2019, 2020, and 2021, according to CIC. In the fourth quarter of 2021, Zhihu had 500 million average monthly viewers and 390 million average monthly engagements. As of December 31, 2021, Zhihu had 55 million cumulative content creators, who had contributed 420 million cumulative Q&As covering over 1,000 verticals. Zhihu is also a leading online content community.

Launched in 2010, we have been dedicated to expanding our content and service offerings to meet the diverse needs of our users, content creators, and business partners. We have grown from a Q&A community into one of the largest comprehensive online content communities in China. We are among the first several industry players to offer paid membership program and developed content-commerce solutions for merchants and brands, according to CIC. We continue to leverage our content-centric business model and launch new monetization channels such as offering vocational training and e-commerce services. We believe that we are still in an early stage of monetization with significant runway for growth across a span of monetization channels.

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During the Track Record Period, we achieved significant business growth yet incurred net loss and net operating cash outflow, primarily attributable to our content-related cost that helped build our rich content library, sales and marketing expenses for promotional and advertising activities, and research and development expenses to enhance technological infrastructure. Our revenue increased from RMB670.5 million in 2019 to RMB1.4 billion in 2020, and further to RMB3.0 billion (US\$464.4 million) in 2021, representing a CAGR of 110.1% from 2019. Our gross profit increased from RMB312.3 million in 2019 to RMB757.8 million in 2020, and further to RMB1.6 billion (US\$243.8 million) in 2021. Our net loss was RMB1.0 billion in 2019, RMB517.6 million in 2020, and RMB1.3 billion (US\$203.8 million) in 2021. We had net operating cash outflows of RMB715.5 million, RMB244.4 million, and RMB440.2 million (US\$69.1 million) in 2019, 2020, and 2021, respectively. We expect to continue incurring net loss and net operating cash outflow in the near future as we continue to strategically incurred expenditures to build up and expand our content ecosystem to further enhance Zhihu's content quality and content portfolio, promote community culture and user engagement, and solidify organic growth.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by the following factors.

Our content offerings

As an online content community, the overall scale of our user base, level of user engagement, and content creation all depend on the breadth, depth, richness, and quality of our content offerings. As of December 31, 2021, our community had 490 million cumulative pieces of content, including 420 million cumulative Q&As. The ever-growing Zhihu content has expanded to include timely content covering trending events to satisfy the needs and improve the experience of our increasingly diverse user base. In addition, the increasingly broad content coverage and diverse content formats cater to our users' continually evolving preferences. We have been deepening our exiting content products and adding new product categories to cover a wider spectrum of content consumption scenarios in our users' daily lives. We will continue to motivate and support content creators to create more content. Furthermore, we have developed and will continue to develop utilities and incentives to facilitate the content creation process.

Our user base

Our business and revenue growth rely on our ability to further grow our user base. We believe that a strong increase in the size of our user base, coupled with a more vibrant community, could deepen our monetization and lead to growth of our business and revenue. Our user base also helps us motivate content creators to produce more content, which further stimulates user interactions and spending. With the fast-growing user base, more content creators have emerged on Zhihu. We provide multiple channels for content creators to monetize their contribution in our community.

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We have experienced rapid user growth since our inception. Our average MAUs increased from 48.0 million in 2019 to 68.5 million in 2020 and further to 95.9 million in 2021. Benefiting from our expanding user base and comprehensive content offerings, we have created a vibrant community with expanding subscribing members and other customers. For example, our average monthly subscribing members increased significantly from 0.6 million in 2019 to 2.4 million in 2020 and to 5.1 million in 2021, and our paying ratio increased from 1.2% in 2019 to 3.4% in 2020 and further to 5.3% in 2021. In addition, the growth of our user base has attracted more merchants and brands to our community and increased their spending to pursue more effective branding and advertising.

Our content-centric monetization

Our revenue and business scale depend on our ability to further enhance our monetization by increasing the effectiveness of diversified monetization model for each revenue stream and expanding our revenue streams.

We have been expanding our service offerings to meet the diverse needs of our users, content creators and business partners. We have been enhancing our content-centric monetization in each of our revenue streams, including advertising, paid membership, content-commerce solutions, vocational training, and other services that we introduce from time to time, such as e-commerce. The willingness of our users to pay for premium content largely depends on the breadth, depth, and quality of our premium content, and thus better premium content could result in higher value for our paid membership services. Our rich content offerings and user base attract more merchants and brands to promote their products and services and achieve other commercial goals through our advertising services and content-commerce solutions. For instance, we formally launched content-commerce solutions in early 2020 and our revenue from content-commerce solutions grew approximately four times year over year in the fourth quarter of 2021. In addition to continuously expanding our customer base via our diversified service offerings, we plan to further improve the effectiveness of our monetization channels and increase the spending of our existing merchants and brands as well as paying users.

We have consistently explored additional content-centric monetization channels and added new revenue streams. For example, we have launched our vocational training and e-commerce services to expand our vertical service coverage and meet user demand. We plan to further expand monetization of our content community and seek to further diversify our revenue streams.

Our operating efficiency

Our efficiency and margin depend on our ability to strategically increase our scale and manage our costs and expenses. As the majority of our content is UGC, we benefit from our organically generated diverse content that stimulate interactions among users and content creators, as well as efficient content acquisition. We also deploy resources to strategically

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acquire content to enrich our premium content library. As we continue to expand our revenue streams, our revenue mix and ability to manage the level of revenue sharing to content providers might also affect our gross profit margin.

We seek to continually optimize our expense structure. Our operating efficiency is significantly affected by our user acquisition strategy. We actively engage in selling and marketing efforts to capture marketing opportunities from which we can effectively increase our user base, while focusing on more precise and effective ways of user acquisition. To further drive our sales and marketing effectiveness, we will continue to enhance our brand recognition to achieve organic user acquisition and retention.

Our people and technology

We focus on investing in our people and technology, which are crucial for us to enrich our content offerings, further grow our user base, incentivize content creators, and attract merchants and brands. We recruit, retain, and motivate talented employees to support our growth. Our technology infrastructure supports our business model in various aspects, from understanding our users, optimizing our content offerings, promoting interaction and engagement between our users and content creators, nurturing our community, to enhancing our service offerings. We will continue to develop and apply state-of-the-art technologies to keep pace with the growth of our business, scale our content offerings, and improve operating efficiency. We will continue to invest in people and technology to facilitate our future growth.

IMPACT OF THE COVID-19 PANDEMIC ON OUR OPERATIONS AND FINANCIAL PERFORMANCE

The COVID-19 pandemic has had, and, together with any subsequent outbreaks driven by new variants of COVID-19, such as Omicron may continue to have, an adverse impact on our operations and financial performance. For example, some of our merchants and brands reduced their expenditures on advertising in the first half of 2020 due to the COVID-19 pandemic. Our advertising revenue increased by 46.0% from RMB577.4 million in 2019 to RMB843.3 million in 2020. In addition, the outbreak of the COVID-19 pandemic led us to delay the formal launch of our content-commerce solutions. Furthermore, our selling and marketing expenses decreased to RMB734.8 million in 2020 from RMB766.5 million in 2019, as many of the regular or scheduled offline marketing events in China were canceled or delayed in 2020 due to the COVID-19 pandemic.

In China, business activities have largely resumed, government emergency measures have been significantly relaxed, and the general economy is gradually recovering. Recently, there has been an increasing number of COVID-19 cases, including outbreaks driven by variants of COVID-19, such as Omicron in multiple cities in China. The extent to which the COVID-19 pandemic may continue to affect our operations and financial performance will depend on future developments, which are highly uncertain and cannot be predicted. See “Risk Factors—Risks Relating to Our Business and Industry—We face risks related to natural disasters, health epidemics, and other outbreaks, which could significantly disrupt our operations.”

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are uncertain and requires significant judgment at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our consolidated financial statements in accordance with U.S. GAAP. Significant accounting policies that we follow in the preparation of the accompanying consolidated financial statements are summarized below. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of critical accounting policies, judgments, and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Principles of Consolidation

Our consolidated financial statements include the financial statements of our Company, our subsidiaries, and our VIEs and their subsidiaries for which we are the primary beneficiary.

Subsidiaries are those entities in which we, directly or indirectly, control over 50% of the voting power, have the power to appoint or remove the majority of the members of the board of directors or to cast a majority of votes at the meeting of the board of directors, or have the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

Consolidated VIEs are entities in which we or our subsidiaries through contractual arrangements have the power to direct the activities that most significantly impact the entities' economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore is the primary beneficiary of the entity.

All transactions and balances between ourselves, our subsidiaries, our VIEs, and subsidiaries of the VIEs have been eliminated upon consolidation.

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Revenue Recognition

We adopted ASC 606, *Revenue from Contracts with Customers*, for all periods presented. According to ASC 606, revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if our performance: (i) provides all of the benefits received and consumed simultaneously by the customer; (ii) creates and enhances an asset that the customer controls as we perform; or (iii) does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on the relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, we present the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between our performance and the customer's payment.

A contract asset is our right to consideration in exchange for goods and services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional before we transfer a good or service to the customer, we present the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

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Advertising

Advertising revenues are derived principally from advertising contracts with customers where the customers pay to place their advertisements in our community over a particular period of time. Such formats generally include but are not limited to launch screen advertisements, in-app bannered advertisements, and feed advertisements. Merchants and brands can choose to compose their advertisements in text, images or videos and decide whether they are display-based or performance-based. We primarily charge display-based advertisements by the cost-per-mille (CPM) model and the cost-per-day (CPD) model, and primarily charge performance-based advertisements by the cost-by-click (CPC) model and CPM model.

Paid Membership

We generate revenue through paid membership services in our community where users pay a membership fee to access premium content library for a fixed time period. We are determined to be the primary obligor and, accordingly, we record revenue on a gross basis, and the revenue sharing to the content providers is recorded as cost of revenues.

We offer membership service which provides subscription members' access right to premium content. Membership periods range from one month to twelve months. Membership service represents a stand-ready obligation to provide the paid content service and the customer simultaneously receives and consumes the benefits as we provide such services throughout the membership period. The receipt of membership fees is initially recorded as contract liabilities and revenue is recognized ratably over the membership period as services are rendered.

Users who are undecided about or otherwise do not need paid memberships can pay retail prices to access the premium content. This on-demand access option supplements the membership programs as an additional revenue stream and provides flexibility to the users. We determined that the retail purchase consists of two performance obligations: the content and the hosted connection for content online playback, or online hosting. The transaction price is allocated between the two performance obligations based on the relative standalone selling price. The purchased content usually has no expiry period unless otherwise stated. As we do not have further obligation after making the content available to the user for content performance obligation, the revenue from content performance obligation is recognized at the time of purchase for pre-recorded content and at the time of completion of live streaming for live streaming content. The online hosting performance obligation is satisfied over the viewing period of the customers. Accordingly, we recognize the revenue over the estimated benefit periods. The revenue derived from the retail purchase is not significant for the years ended December 31, 2019, 2020, and 2021.

We also provide discount coupons to our customers for use in purchasing online paid contents, which are treated as a reduction of revenue upon usage of the coupon. The amount of the coupons were immaterial for the years ended December 2019, 2020, and 2021.

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Content-Commerce Solutions

Content-commerce solutions are online marketing solutions that are seamlessly integrated into our regular content operations. We provide content-commerce solutions to expose the designated content to more targeted audience. We primarily charge the content-commerce solutions by the CPC model.

For advertising and content-commerce solutions, we recognize revenue on the satisfied performance obligations and defer the recognition of revenue for the estimated value of the undelivered elements until the remaining performance obligations have been satisfied. When all of the elements within arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight-line basis over the contract period. The primary services and pricing models of advertising and content-commerce solutions are summarized as below:

CPM model. Under the CPM model, the unit price for each qualified display is fixed and stated in the contract with advertisers. A qualified display is defined as the appearance of an advertisement, where the advertisement meets the criteria specified in the contract. Given the fees are priced consistently throughout the contract and the unit prices for each qualified display is fixed accordingly, we recognize revenue based on the fixed unit prices and the number of qualified displays upon the occurrence of display, provided all revenue recognition criteria have been met.

CPC model. Under the CPC model, there is no fixed price for advertising services or content-commerce solutions services stated in the contract with the advertiser and the unit price for each click is auction-based. We charge merchants and brands on a per-click basis, when the users click on the advertisements or the designated content. Given that the unit price is fixed, we recognize revenue based on qualifying clicks and unit price upon the occurrence of a click, provided all revenue recognition criteria have been met.

CPD model. Under the CPD model, a contract is signed to establish a fixed price for the advertising services to be provided over a period of time. Given the advertisers benefit from the displayed advertising evenly, we recognize revenue on a straight-line basis over the period of display, provided all revenue recognition criteria have been met.

Sales rebates to certain customers. Certain customers may receive sales rebates, which are accounted for as variable consideration. We estimate annual expected revenue volume of each individual customer with reference to their historical results. The sales rebate reduces revenues recognized. We recognize revenue for the amount of fees it receives from its advertisers, after deducting sales rebates and net of value-added taxes. We believe that there will not be significant changes to its estimates of variable consideration.

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Other Revenues

Our other revenues are primarily generated from vocational training, e-commerce, and other services. Other revenues are recognized when control of promised goods or services is transferred to the customers, which generally occurs upon the acceptance of the goods or services by the customers. Pursuant to ASC 606-10-55-39, for arrangements where we are primarily responsible for fulfilling the promise to provide the goods or services, are subject to inventory risk, and have latitude in establishing prices and selecting suppliers, revenues are recorded on a gross basis. Otherwise, revenues are recorded on a net basis.

Principal Expedients and Exemptions

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of our contracts have a duration of one year or less.

We recognize an asset for the incremental costs of obtaining a contract if those costs are expected recoverable. We elect to expense certain costs to obtain a contract as incurred when the expected recover period is one year or less.

Share-Based Compensation

Share-based compensation benefits are provided to employees under the 2012 Plan. We account for share-based compensation benefits granted to employees in accordance with ASC 718 *Stock Compensation*. Information relating to the plan is set out in Note 17 of Accountant's Report set out in Appendix I.

The fair value of options granted under the 2012 Plan is recognized as staff cost with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognized over the vesting period, over which all the specified vesting conditions are to be satisfied, using graded vesting method. We account for forfeitures in the period we occur as a reduction to expense.

Our share-based compensation expenses include both the share-based compensation expenses under the 2012 Plan and the share-based compensation expenses recognized based on the equity interests granted to the founders of the entities we acquired, Prez Limited and Yincheng Limited, for their future services in these entities.

Fair Value of Ordinary Shares

Prior to the completion of the initial public offering in the United States, discounted cash flow method and equity allocation model was adopted to determine the fair value of our ordinary shares.

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The following table sets forth the fair value of our ordinary shares estimated at the grant dates of share options from the end of 2018 through December 31, 2020.

<u>Valuation Date</u>	<u>Fair Value per Share (US\$)</u>	<u>DLOM</u>	<u>Discount Rate</u>
December 20, 2018	4.68	23.00%	22.50%
June 20, 2019	6.27	20.00%	20.50%
December 20, 2019	7.08	19.00%	20.50%
June 20, 2020	7.42	17.50%	20.00%
December 20, 2020	10.32	14.00%	20.00%

The determined fair value of our ordinary shares increased from US\$4.68 per share as of December 20, 2018 to US\$6.27 per share as of June 20, 2019. We believe the increase in the fair value of our ordinary shares was primarily attributable to the following factors:

- our revenue grew significantly;
- as we progressed towards an initial public offering, the lead time to an expected liquidity event decreased, resulting in a decrease of discount for lack of marketability, or DLOM, from 23% as of December 20, 2018 to 20% as of June 20, 2019;
- as a result of the growth of our business, the discount rate decreased from 22.5% as of December 20, 2018 to 20.5% as of June 20, 2019; and
- we adjusted our financial forecast to reflect the anticipated higher revenue growth rate and improved financial performance in the future due to the abovementioned developments.

The determined fair value of our ordinary shares increased from US\$6.27 per share as of June 20, 2019 to US\$7.08 per share as of December 20, 2019. We believe the increase in the fair value of our ordinary shares was primarily attributable to the following factors:

- our revenue grew significantly; and
- as we progressed towards an initial public offering, the lead time to an expected liquidity event decreased, resulting in a decrease of DLOM from 20.0% as of June 20, 2019 to 19.0% as of December 20, 2019.

The determined fair value of our ordinary shares increased from US\$7.08 per share as of December 20, 2019 to US\$7.42 per share as of June 20, 2020. We believe the increase in the fair value of our ordinary shares was primarily attributable to the following factors:

- our revenue grew significantly;

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- as we progressed towards an initial public offering, the lead time to an expected liquidity event decreased, resulting in a decrease of DLOM from 19.0% as of December 20, 2019 to 17.5% as of June 20, 2020; and
- as a result of the growth of our business, the discount rate decreased from 20.5% as of December 20, 2019 to 20.0% as of June 20, 2020.

The determined fair value of our ordinary shares increased from US\$7.42 per share as of June 20, 2020 to US\$10.32 per share as of December 20, 2020. We believe the increase in the fair value of our ordinary shares was primarily attributable to the following factors:

- our revenue grew significantly; and
- as we progressed towards an initial public offering, the lead time to an expected liquidity event decreased, resulting in a decrease of DLOM from 17.50% as of December 20, 2019 to 14.00% as of December 20, 2020.

After the completion of the initial public offering in the United States, the fair value of the share options is estimated based on the fair market value of the underlying ordinary shares of us at the grant date.

Convertible Redeemable Preferred Shares

We have classified the preferred shares in the mezzanine equity of the consolidated balance sheets as they are contingently redeemable at the options of the holders. In accordance with ASC 480-10-S99-3A, if it is probable that the preferred shares will become redeemable, the carrying amount of the preferred shares is accreted to the redemption value. We record accretions on the preferred shares to the redemption value from the issuance dates to the earliest redemption dates. The accretions using the effective interest method, are recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit. Each issuance of the preferred shares is recognized at the respective fair value at the date of issuance net of issuance costs.

We have determined that there was no beneficial conversion feature attributable to the preferred shares because the initial effective conversion prices of these preferred shares were higher than the fair value of ordinary shares determined by us taking into account independent valuations.

Pursuant to laws applicable to PRC entities incorporated in China, PRC investors should complete its statutory filings and foreign exchange registrations for outbound investment, before such PRC entities can legally own offshore investments or equity interests in offshore entities. As such, all PRC shareholders of Zhihu Inc. must complete their relevant registrations and statutory filings, as appropriate, before they can, in accordance with applicable PRC laws, hold directly or indirectly any share of Zhihu Inc., which is incorporated under the laws of the

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Cayman Islands. Certain preferred shareholder who made full payment of the purchase consideration received a warrant and one preferred share in us to reflect such holder's rights, obligations, and interests in us as if such holder were holding all the preferred shares of us issuable upon exercise of the warrant before such holder completes its necessary registration for outbound investment to exercise its warrant to purchase our preferred shares. This was a transitional arrangement pending completion of necessary registration process by such holder. Once such holder completes the necessary registration for outbound investment, it is required to exercise the warrant immediately. Accordingly, the one preferred share was accounted for and represented based on the terms on all preferred shares of the Company issuable upon exercise of the warrant. Concurrently, we entered into a foreign exchange forward contract with the investor. We account for the foreign exchange forward contract and the warrant as derivative asset (included in other current assets), which was measured at fair value with the changes in the fair value recorded within other income/(expenses) in the consolidated statements of operations and comprehensive loss. The holder of the warrant has completed the relevant registration and filing, and exercised the warrant in December 2020. The underlying preferred shares have been legally issued and the derivative asset has been settled at the foreign exchange rate of US\$1.00 to RMB6.53 accordingly.

Upon the completion of the initial public offering in the United States in March 2021, all of issued and outstanding preferred shares automatically converted into ordinary shares on a one-for-one basis.

Level 3 Fair Value Measurement

Our management has carefully reviewed the valuation related policies, the financial statements prepared in accordance with the U.S. GAAP, and other supporting documents, and has had sufficient understanding of the valuation model, methodologies, and techniques. Based on the foregoing, our management is of the view that the valuation analysis performed during the Track Record Period is fair and reasonable, and our financial statements are properly prepared. Our management is satisfied with the valuation work for the level 3 financial assets performed during the Track Record Period.

Details of the fair value measurement of derivative assets, particularly the fair value hierarchy and key inputs including significant unobservable inputs and the relationship of unobservable inputs to fair value are disclosed in Note 16 to the Accountant's Report in Appendix I to this prospectus, which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on our historical financial information for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

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The Joint Sponsors have conducted the following independent due diligence work in relation to the level 3 fair value measurement: they (i) reviewed the relevant notes included in the Accountant's Report as contained in Appendix I to this prospectus; (ii) discussed with the Company on the primary factors taken into account by the Company, key assumptions and methodologies adopted for the valuation of the level 3 financial assets, and the internal control measures undertaken by the Company for reviewing and approving the relevant valuation; and (iii) discussed with the Reporting Accountant in respect of the work performed in relation to the valuation of the level 3 financial assets for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole. Having considered the work done by the Directors and the Reporting Accountant as stated above, nothing has come to the attention of the Joint Sponsors that would cause the Joint Sponsors to disagree with the valuation analysis performed by the Company.

RESULTS OF OPERATIONS

The following table sets forth our results of operations with line items in absolute amount and as a percentage of our revenue for the periods indicated.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Revenue	670,511	100.0	1,352,196	100.0	2,959,324	464,382	100.0
Cost of revenue	(358,241)	(53.4)	(594,399)	(44.0)	(1,405,423)	(220,542)	(47.5)
Gross profit	312,270	46.6	757,797	56.0	1,553,901	243,840	52.5
Selling and marketing expenses	(766,465)	(114.3)	(734,753)	(54.3)	(1,634,733)	(256,525)	(55.2)
Research and development expenses	(351,012)	(52.3)	(329,763)	(24.4)	(619,585)	(97,226)	(20.9)
General and administrative expenses	(253,268)	(37.8)	(296,162)	(21.9)	(690,292)	(108,322)	(23.4)
Total operating expenses	(1,370,745)	(204.4)	(1,360,678)	(100.6)	(2,944,610)	(462,073)	(99.5)
Loss from operations	(1,058,475)	(157.8)	(602,881)	(44.6)	(1,390,709)	(218,233)	(47.0)
Investment income	25,035	3.7	56,087	4.2	59,177	9,286	2.0
Interest income	28,669	4.3	24,751	1.8	31,305	4,912	1.1
Fair value change of financial instrument	7,132	1.1	(68,818)	(5.1)	27,846	4,370	0.9
Exchange (losses)/gains	(9,216)	(1.4)	62,663	4.6	(16,665)	(2,615)	(0.6)
Others, net	2,675	0.4	11,728	0.9	(4,391)	(689)	(0.1)
Loss before income tax	(1,004,180)	(149.7)	(516,470)	(38.2)	(1,293,437)	(202,969)	(43.7)
Income tax expense	(40)	(0.0)	(1,080)	(0.1)	(5,443)	(854)	(0.2)
Net loss	(1,004,220)	(149.7)	(517,550)	(38.3)	(1,298,880)	(203,823)	(43.9)

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NON-GAAP FINANCIAL MEASURE

In evaluating our business, we consider and use adjusted net loss, a non-GAAP financial measure, to supplement the review and assessment of our operating performance. We define adjusted net loss (non-GAAP financial measure) as net loss adjusted for the impact of share-based compensation expenses of the non-GAAP adjustments, which are non-cash expenses. Share-based compensation is an important element in our compensation structure to retain and incentivize talented, high-performing employees. We believe that the non-GAAP financial measure facilitates comparisons of operating performance from period to period and company to company by adjusting for potential impacts of items. We believe that adjusted net loss (non-GAAP financial measure) provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. Our presentation of adjusted net loss (non-GAAP financial measure) may not be comparable to similarly titled measures presented by other companies. The use of the non-GAAP financial measure has limitations as an analytical tool, and you should not consider it isolation from, or as substitutes for analysis of, our results of operations as reported under the U.S. GAAP.

The following table sets forth the reconciliation of adjusted net loss (non-GAAP financial measure) for the periods indicated to net loss, the nearest measure prepared in accordance with the U.S. GAAP.

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net loss	(1,004,220)	(517,550)	(1,298,880)	(203,823)
Add:				
Share-based compensation expenses ⁽¹⁾	179,690	180,090	548,465	86,066
Non-GAAP financial measure:				
Adjusted net loss	<u>(824,530)</u>	<u>(337,460)</u>	<u>(750,415)</u>	<u>(117,757)</u>

Note:

- (1) The share-based compensation expenses include both the share-based compensation expenses under the 2012 Plan and the share-based compensation expenses recognized based on the equity interests granted to the founders of the entities we acquired, Prez Limited and Yincheng Limited, for their future services in these entities.

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DESCRIPTION OF KEY COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We generate revenue primarily through (i) advertising, (ii) paid membership, (iii) content-commerce solutions, and (iv) other services, including vocational training and e-commerce services. The following table sets forth a breakdown of revenue by type both in absolute amount and as a percentage of our revenue for the periods indicated.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Revenue							
Advertising	577,424	86.1	843,284	62.4	1,160,886	182,168	39.2
Paid membership	87,997	13.1	320,471	23.7	668,507	104,903	22.6
Content-commerce solutions	641	0.1	135,813	10.0	973,986	152,840	32.9
Others	4,449	0.7	52,628	3.9	155,945	24,471	5.3
Total	670,511	100.0	1,352,196	100.0	2,959,324	464,382	100.0

Advertising. We generate revenue from advertising services. Our advertising revenue is primarily driven by our MAUs and advertising revenue per MAU. The following table sets forth average MAUs and advertising revenue per MAU for the periods indicated.

	For the Year Ended December 31,			2019-2021 CAGR
	2019	2020	2021	
Average MAUs (in millions)	48.0	68.5	95.9	41.4%
Advertising revenue per MAU (in RMB)	12.0	12.3	12.1	0.4%

We still experienced continued growth in our advertising revenue reflecting the significant and continued increase in MAUs and relatively stable advertising revenue per MAU, despite the negative impact that the COVID-19 pandemic had on the expenditure of some of our merchants and brands for advertising services in 2020. We expect that our advertising revenue will continue to increase in the foreseeable future as our advertising services grow.

Our advertisers are generally attracted by, among other things, the expanding user base and user profiles as well as the content generated in our community. They typically select target audience based on user profiles and review performance indices instead of specifying target content category or monitoring other similar metrics. We do not believe that we have concentration in terms of user profiles. The pricing of our advertising is determined based on our internal marked price guidelines that are updated from time to time. The guidelines generally take into consideration factors including, among other things, nature and type of advertisers, products and services to be marketed, prior relationships, level of comparable demands, and scale of orders, and are implemented based on marked price for our advertising services. As we continue to scale up our advertising business, we have maintained a moderately increasing trend on our marked price while narrowing the rebates and discounts offered to advertisers. In particular, while the marked price of our CPM-based services remained relatively stable, our CPD-based services experienced an increase as our user base expanded. These result in a moderately increasing trend on our effective pricing, which excludes rebates and discounts.

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Paid Membership. We generate substantially all of our paid membership revenue from Yan Selection (鹽選) membership fees. The following table sets forth our average MAUs, average monthly subscribing members, and paying ratio for the periods indicated.

	For the Year Ended December 31,			2019-2021 CAGR
	2019	2020	2021	
Average MAUs (in millions)	48.0	68.5	95.9	41.4%
Average monthly subscribing members (in thousands)	574.2	2,362.6	5,076.0	197.3%
Paying ratio	1.2%	3.4%	5.3%	110.2%

We formally launched our Yan Selection membership program in March 2019, and since then have continued to enhance the volume and quality of our premium content. The increase in paid membership revenue during the periods primarily reflected the increases in our MAUs as well as the paying ratio. In particular, the continued increase in paying ratio reflects the wider acceptance of the paid membership among our community. We expect that our paid membership revenue will continue to increase in absolute amount in the foreseeable future.

Content-Commerce Solutions. We generate content-commerce solutions revenue primarily from service fees from our Zhi+ solutions. We formally launched our content-commerce solutions in early 2020 and booked immaterial amount of revenue in late 2019 for conducting trials of related products and protocols. The content-commerce solutions have demonstrated strong growth momentum since the launch. Our revenue from content-commerce solutions increased from RMB135.8 million in 2020 to RMB974.0 million (US\$152.8 million) in 2021, primarily driven by the number of our MAUs and average content-commerce solutions revenue per MAU. The following table sets forth average MAUs and content-commerce solutions revenue per MAU for the periods indicated.

	For the Year Ended December 31,			2019-2021 CAGR
	2019	2020	2021	
Average MAUs (in millions)	48.0	68.5	95.9	41.4%
Content-commerce solutions revenue per MAU (in RMB)	—	2.0	10.2	—

We expect to continue to develop the content-commerce solutions as we further expand our content portfolio. As a result, we expect that our content-commerce solutions revenue will continue to increase in absolute amount and as a percentage of our revenue in the foreseeable future. We also expect that our average content-commerce solutions revenue per MAU will continue to increase.

Others. Other revenue is primarily generated from our vocational training and e-commerce services. We have been strategically identifying opportunities for expanding our revenue streams. For example, we offer self-developed vocational training products and services, in addition to third-party vocational training courses, to further deepen this monetization channel. Our e-commerce service revenue primarily consists of commissions

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from sale of merchandise. We expect an increase in revenue from vocational training and e-commerce services and we will benefit from continued diversification of our content-centric monetization channels in the foreseeable future.

Cost of Revenue

Our cost of revenue primarily consists of: (i) content and operational costs, (ii) cloud service and bandwidth costs, (iii) staff costs, and (iv) payment processing costs. Content and operational costs primarily include payments for content creators with respect to content included in our premium content library, other content-related costs and other business-related execution costs.

The following table sets forth a breakdown of our cost of revenue by nature both in absolute amount and as a percentage of our revenue for the periods indicated.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except percentages)						
Cost of revenue							
Content and operational costs	76,713	11.4	204,397	15.1	750,554	117,778	25.4
Cloud service and bandwidth costs	178,353	26.6	226,684	16.8	328,346	51,525	11.1
Staff costs	58,296	8.7	75,412	5.6	142,699	22,393	4.8
Payment processing costs	13,118	2.0	39,536	2.9	74,285	11,657	2.5
Others	31,761	4.7	48,370	3.6	109,539	17,189	3.7
Total	358,241	53.4	594,399	44.0	1,405,423	220,542	47.5

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB312.3 million in 2019 to RMB757.8 million in 2020 and further to RMB1.6 billion (US\$243.8 million) in 2021. Our gross profit margin was 46.6% in 2019, 56.0% in 2020 and 52.5% in 2021.

Operating Expenses

Our operating expenses consist of (i) selling and marketing expenses, (ii) research and development expenses, and (iii) general and administrative expenses. We expect that our operating expenses will continue to increase in absolute amount in the foreseeable future in line with our business growth.

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The following table sets forth a breakdown of our operating expenses both in absolute amount and as a percentage of our revenue for the periods indicated.

	For the Year Ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except percentages)						
Operating expenses							
Selling and marketing expenses	766,465	114.3	734,753	54.3	1,634,733	256,525	55.2
Research and development expenses	351,012	52.3	329,763	24.4	619,585	97,226	20.9
General and administrative expenses	253,268	37.8	296,162	21.9	690,292	108,322	23.4
Total	1,370,745	204.4	1,360,678	100.6	2,944,610	462,073	99.5

Selling and Marketing Expenses. Our selling and marketing expenses primarily consist of expenses associated with promotion and advertising and staff costs. We expect to continue to strategically incur selling and marketing expenses in growing our user base and strengthening our branding.

Research and Development Expenses. Our research and development expenses primarily consist of research and development related staff costs. We expect our research and development expenses to increase in the foreseeable future as we continue to invest in technical infrastructure, research and development, as well as developing new products and services to attract users and increase user engagement.

General and Administrative Expenses. General and administrative expenses primarily consist of staff costs, traveling and general expenses, and professional service fees. We expect our general and administrative expenses to increase in the foreseeable future as we grow our business and incur increased staff costs.

TAXATION

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties, which may be applicable on instruments executed in, or brought within the jurisdiction of, the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

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Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces the two-tiered profits tax rates regime. The bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Mainland China

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

Enterprises that qualify as “high and new technology enterprises” are entitled to a preferential rate of 15% for three years. Enterprises that qualify as “small low-profit enterprises” are entitled to a preferential rate of 20%. Specifically, during the period from January 1, 2019 to December 31, 2021, the portion of annual taxable income amount of a small low-profit enterprise not exceeding RMB1 million is computed at a reduced rate of 25% as taxable income amount, subject to an enterprise income tax rate of 20%, and the portion of annual taxable income amount exceeding RMB1 million and not exceeding RMB3 million is computed at a reduced rate of 50% as taxable income amount, subject to an enterprise income tax rate of 20%.

Zhizhe Sihai was certified as a “high and new technology enterprise” under the relevant PRC laws and regulations, and accordingly was eligible for a preferential tax rate of 15% in each of 2019, 2020, and 2021. Some of our subsidiaries were “small low-profit enterprises” under the relevant PRC laws and regulations, and accordingly were eligible for a preferential tax rate of 20% in each of 2019, 2020, and 2021. Our other PRC entities were subject to enterprise income tax at a rate of 25% in 2019, 2020, and 2021. Pursuant to the PRC Enterprise Income Tax Law, a 5% or 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008.

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YEAR-OVER-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

	For the Year Ended December 31,					
	2020	2021		Change		
	RMB	RMB	US\$	RMB	US\$	%
	(in thousands, except percentages)					
Revenue						
Advertising	843,284	1,160,886	182,168	317,602	49,839	37.7
Paid membership	320,471	668,507	104,903	348,036	54,614	108.6
Content-commerce solutions	135,813	973,986	152,840	838,173	131,528	617.2
Others	52,628	155,945	24,471	103,317	16,213	196.3
Total	1,352,196	2,959,324	464,382	1,607,128	252,194	118.9

Our revenue increased substantially from RMB1.4 billion in 2020 to RMB3.0 billion (US\$464.4 million) in 2021.

Advertising. Advertising revenue increased by 37.7% from RMB843.3 million in 2020 to RMB1.2 billion (US\$182.2 million) in 2021. The increase was primarily driven by a 40.0% increase in average MAUs from 68.5 million in 2020 to 95.9 million in 2021 as a result of the continued growth of our user base. Our average advertising revenue generated per MAU remained relatively stable at RMB12.3 in 2020 and RMB12.1 in 2021.

Paid Membership. Paid membership revenue increased significantly from RMB320.5 million in 2020 to RMB668.5 million (US\$104.9 million) in 2021, primarily due to the increase in our MAUs as well as the paying ratio. The paying ratio increased from 3.4% in 2020 to 5.3% in 2021, reflecting the wider acceptance of the paid membership business among our users.

Content-Commerce Solutions. Content-commerce solutions revenue increased significantly from RMB135.8 million in 2020 to RMB974.0 million (US\$152.8 million) in 2021. The significant increase was primarily driven by the rapid increase of both our user base and average content-commerce solutions revenue per MAU from RMB2.0 in 2020 to RMB10.2 in 2021, which reflected our continued development of this business line.

Others. Other revenue increased substantially from RMB52.6 million in 2020 to RMB155.9 million (US\$24.5 million) in 2021, primarily due to the continued growth of our vocational training as we acquired Prez Limited and Yincheng Limited to strengthen our capability in offering and delivering content and programs for vocational training as well as our continued growth in e-commerce services.

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Cost of Revenue

	For the Year Ended December 31,					
	2020	2021		Change		
	RMB	RMB	US\$	RMB	US\$	%
	(in thousands, except percentages)					
Cost of revenue						
Content and operational costs	204,397	750,554	117,778	546,157	85,704	267.2%
Cloud service and bandwidth costs	226,684	328,346	51,525	101,662	15,953	44.8%
Staff costs	75,412	142,699	22,393	67,287	10,559	89.2%
Payment processing costs	39,536	74,285	11,657	34,749	5,453	87.9%
Others	48,370	109,539	17,189	61,169	9,599	126.5%
Total	594,399	1,405,423	220,542	811,024	127,268	136.4%

Our cost of revenue increased by 136.4% from RMB594.4 million in 2020 to RMB1.4 billion (US\$220.5 million) in 2021. The increase was primarily attributable to (i) an increase in content and operational costs of RMB546.2 million, which mainly includes the content-related cost and execution cost for advertising service incurred due to our expansion in advertising and paid membership services as well as our content offerings, (ii) an increase in cloud service and bandwidth costs of RMB101.7 million due to our growth in user traffic, and (iii) an increase in staff costs of RMB67.3 million due to our increased headcount.

Gross Profit and Gross Profit Margin

	For the Year Ended December 31,					
	2020	2021		Change		
	RMB	RMB	US\$	RMB	US\$	%
	(in thousands, except percentages)					
Gross profit	757,797	1,553,901	243,840	796,104	124,926	105.1
Gross profit margin	56.0%	52.5%	52.5%	—	—	—

Our gross profit in 2020 and 2021 was RMB757.8 million and RMB1.6 billion (US\$243.8 million), respectively, and our gross profit margin was 56.0% and 52.5%, respectively. The decrease in gross profit margin is primarily due to our content contribution and our continued efforts in broadening and enhancing content offerings for all of our users.

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Operating Expenses

	For the Year Ended December 31,					
	2020	2021		Change		
	RMB	RMB	US\$	RMB	US\$	%
	(in thousands, except percentages)					
Operating expenses						
Selling and marketing expenses	734,753	1,634,733	256,525	899,980	141,227	122.5
Research and development expenses	329,763	619,585	97,226	289,822	45,479	87.9
General and administrative expenses	296,162	690,292	108,322	394,130	61,848	133.1
Total	1,360,678	2,944,610	462,073	1,583,932	248,554	116.4

Selling and Marketing Expenses. Our selling and marketing expenses increased by 122.5% from RMB734.8 million in 2020 to RMB1.6 billion (US\$256.5 million) in 2021, primarily due to increased expenses in promotion and advertising activities to attract new users, as well as to strengthen our brand recognition, such as our tenth year anniversary event and Gao Kao event.

Research and Development Expenses. Our research and development expenses increased by 87.9% from RMB329.8 million in 2020 to RMB619.6 million (US\$97.2 million) in 2021, primarily due to increased headcount in our research and development personnel from 672 as of December 31, 2020 to 1,141 as of December 31, 2021, as we continued to invest in technical infrastructure, research and development.

General and Administrative Expenses. Our general and administrative expenses increased by 133.1% from RMB296.2 million in 2020 to RMB690.3 million (US\$108.3 million) in 2021, primarily due to increased share-based compensation expenses of RMB296.5 million, mainly due to a one-off grant of options to Mr. Zhou pursuant to the 2012 Plan.

Loss from Operations

As a result of the foregoing, we had a loss from operations of RMB1.4 billion (US\$218.2 million) in 2021, in comparison with a loss from operations of RMB602.9 million in 2020.

Investment Income

Our investment income increased from RMB56.1 million in 2020 to RMB59.2 million (US\$9.3 million) in 2021, primarily due to an increase in income from cash management activities.

Interest Income

Our interest income increased by 26.5% from RMB24.8 million in 2020 to RMB31.3 million (US\$4.9 million) in 2021, primarily due to an increase in the principal amount of our term deposits.

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Fair Value Change of Financial Instrument

We had a profit of RMB27.8 million (US\$4.4 million) from fair value change of financial instrument in 2021, which primarily reflected the fair value change of financial instruments related to foreign exchange options and forward contracts. We recorded a loss of RMB68.8 million from fair value change of financial instrument in 2020, which reflected the effect of foreign exchange fluctuation regarding certain contribution placed onshore by one of our shareholders in connection with our financing activities during the period.

Exchange (Losses)/Gains

We had exchange losses of RMB16.7 million (US\$2.6 million) in 2021, in comparison with exchange gains of RMB62.7 million in the same period in 2020, as a result of fluctuations of the exchange rates of Renminbi against U.S. dollars.

Others, Net

We had net other losses of RMB4.4 million (US\$0.7 million) in 2021, in comparison with net other gains of RMB11.7 million, primarily due to decrease in non-operating income.

Loss Before Income Tax

Primarily as a result of the foregoing, our loss before income tax in 2021 was RMB1.3 billion (US\$203.0 million), increased by 150.4% from RMB516.5 million in 2020.

Income Tax Expenses

Our income tax expense increased from RMB1.1 million in 2020 to RMB5.4 million (US\$0.9 million) in 2021.

Net Loss

As a result of the foregoing, our net loss increased by 151.0% from RMB517.6 million in 2020 to RMB1.3 billion (US\$203.8 million) in 2021.

Adjusted Net Loss (Non-GAAP Financial Measure)

Our adjusted net loss (non-GAAP financial measure) increased by 122.4% from RMB337.5 million in 2020 to RMB750.4 million (US\$117.8 million) in 2021.

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Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

	For the Year Ended December 31,			
	2019	2020	Change	
	RMB	RMB	RMB	%
	(in thousands, except percentages)			
Revenue				
Advertising	577,424	843,284	265,860	46.0
Paid membership	87,997	320,471	232,474	264.2
Content-commerce solutions	641	135,813	135,172	—
Others	4,449	52,628	48,179	1,082.9
Total	670,511	1,352,196	681,685	101.7

Our revenue increased substantially from RMB670.5 million in 2019 to RMB1.4 billion in 2020.

Advertising. Advertising revenue increased by 46.0% from RMB577.4 million in 2019 to RMB843.3 million in 2020. The increase was primarily driven by a 42.7% increase in average MAUs from 48.0 million in 2019 to 68.5 million in 2020 as a result of the continued growth of our user base, as well as an increase of advertising revenue per MAU from RMB12.0 to RMB12.3, despite that the COVID-19 pandemic had a negative impact on the expenditure of some of our merchants and brands in the first half of 2020.

Paid Membership. Paid membership revenue increased significantly from RMB88.0 million in 2019 to RMB320.5 million in 2020, primarily due to the increase in our MAUs as well as the paying ratio. The paying ratio increased from 1.2% in 2019 to 3.4% in 2020, reflecting the deepening penetration of the paid membership business among our users.

Content-Commerce Solutions. We formally launched content-commerce solutions in early 2020 and generated a revenue of RMB135.8 million in 2020, compared to a revenue of RMB0.6 million in 2019.

Others. Other revenue increased substantially from RMB4.4 million in 2019 to RMB52.6 million in 2020, primarily due to the introduction and growth of vocational training and e-commerce services.

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Cost of Revenue

	For the Year Ended December 31,			
	2019	2020	Change	
	RMB	RMB	RMB	%
	(in thousands, except percentages)			
Cost of revenue				
Cloud service and bandwidth costs	178,353	226,684	48,331	27.1
Content and operational costs	76,713	204,397	127,684	166.4
Staff costs	58,296	75,412	17,116	29.4
Payment processing costs	13,118	39,536	26,418	201.4
Others	31,761	48,370	16,609	52.3
Total	358,241	594,399	236,158	65.9

Our cost of revenue increased by 65.9% from RMB358.2 million in 2019 to RMB594.4 million in 2020. The increase was primarily attributable to (i) an increase in content and operational costs of RMB127.7 million, which mainly includes the content-related cost and execution cost for advertising service incurred due to our expansion in advertising and paid membership services as well as our content offerings, (ii) an increase in cloud service and bandwidth costs of RMB48.3 million due to our growth in user traffic, (iii) an increase in payment processing costs of RMB26.4 million due to the expansion of paid membership business and the corresponding payment made by our subscribing members, and (iv) an increase in staff costs of RMB17.1 million due to our increased headcount.

Gross Profit and Gross Profit Margin

	For the Year Ended December 31,			
	2019	2020	Change	
	RMB	RMB	RMB	%
	(in thousands, except percentages)			
Gross profit	312,270	757,797	445,527	142.7
Gross profit margin	46.6%	56.0%	—	—

Our gross profit in 2019 and 2020 was RMB312.3 million and RMB757.8 million, respectively, and our gross profit margin was 46.6% and 56.0%, respectively. The increase in gross profit margin is primarily due to our improved operating efficiency, such as in cloud service and bandwidth and payment processing.

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Operating Expenses

	For the Year Ended			
	December 31,			
	2019	2020	Change	
	RMB	RMB	RMB	%
	(in thousands, except percentages)			
Operating expenses				
Selling and marketing expenses	766,465	734,753	(31,712)	(4.1)
Research and development expenses	351,012	329,763	(21,249)	(6.1)
General and administrative expenses	253,268	296,162	42,894	16.9
Total	1,370,745	1,360,678	(10,067)	(0.7)

Selling and Marketing Expenses. Our selling and marketing expenses decreased by 4.1% from RMB766.5 million in 2019 to RMB734.8 million in 2020, primarily due to a decrease in promotion and advertising expenses of RMB31.2 million, as many of the regular or scheduled offline marketing events in China were canceled or delayed in 2020 due to the COVID-19 pandemic.

Research and Development Expenses. Our research and development expenses decreased by 6.1% from RMB351.0 million in 2019 to RMB329.8 million in 2020, primarily due to a decrease in share-based compensation expenses of RMB13.4 million, which was due to the front-loading feature of graded vesting method for share-based compensation expenses.

General and Administrative Expenses. Our general and administrative expenses increased by 16.9% from RMB253.3 million in 2019 to RMB296.2 million in 2020, primarily due to an increase in share-based compensation expenses of RMB15.0 million as we granted options to officers of our company.

Loss from Operations

As a result of the foregoing, we had a loss from operations of RMB602.9 million in 2020, in comparison with a loss from operations of RMB1.1 billion in 2019.

Investment Income

Our investment income increased from RMB25.0 million in 2019 to RMB56.1 million in 2020, primarily due to an increase in income from wealth management products that we held for cash management purpose.

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Interest Income

Our interest income decreased by 13.7% from RMB28.7 million in 2019 to RMB24.8 million in 2020, primarily due to a decrease in the principal amount of our term deposits.

Fair Value Change of Financial Instrument

We had a loss of RMB68.8 million from fair value change of financial instrument in 2020, in comparison with an income of RMB7.1 million from fair value change of financial instrument in 2019. This change reflected the effect of foreign exchange fluctuation regarding certain contribution placed onshore by one of our shareholders in connection with our financing activities during the period.

Exchange (Losses)/Gains

We had exchange gains of RMB62.7 million in 2020, in comparison with exchange losses of RMB9.2 million in 2019, as a result of fluctuations of the exchange rates of Renminbi against U.S. dollars.

Others, Net

Our net other gains increased from RMB2.7 million in 2019 to RMB11.7 million in 2020 primarily due to increases in non-operating income and government subsidies.

Loss Before Income Tax

Primarily as a result of the foregoing, our loss before income tax in 2020 was RMB516.5 million, decreased by 48.6% from RMB1.0 billion in 2019.

Income Tax Expenses

Our income tax expense increased from RMB40 thousand in 2019 to RMB1.1 million in 2020.

Net Loss

As a result of the foregoing, our net loss decreased by 48.5% from RMB1.0 billion in 2019 to RMB517.6 million in 2020.

Adjusted Net Loss (Non-GAAP Financial Measure)

Our adjusted net loss (non-GAAP financial measure) decreased by 59.1% from RMB824.5 million in 2019 to RMB337.5 million in 2020.

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DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I.

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Total current assets	3,901,952	3,720,166	8,334,165	1,307,813
Total non-current assets	82,354	41,275	471,000	73,909
Total assets	3,984,306	3,761,441	8,805,165	1,381,722
Total current liabilities	763,040	1,014,568	1,897,714	297,793
Total non-current liabilities	2,893	—	169,302	26,567
Total liabilities	765,933	1,014,568	2,067,016	324,360
Net assets	3,218,373	2,746,873	6,738,149	1,057,362
Total mezzanine equity	7,210,614	7,891,348	—	—
Total shareholders' (deficit)/equity	(3,992,241)	(5,144,475)	6,738,149	1,057,362
Total liabilities, mezzanine equity and shareholders' equity	3,984,306	3,761,441	8,805,165	1,381,722

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,				As of February 28,	
	2019	2020	2021		2022	
	RMB	RMB	RMB	US\$	RMB	US\$
	(in thousands)				(unaudited)	
Current assets:						
Cash and cash equivalents	900,350	957,820	2,157,161	338,506	2,547,786	399,803
Term deposits	1,151,073	1,092,921	2,815,509	441,815	1,849,876	290,286
Short-term investments	1,492,180	1,046,000	2,239,596	351,441	2,656,056	416,793
Trade receivables	245,943	486,046	831,628	130,501	843,454	132,356
Amounts due from related parties	5,931	13,843	18,196	2,855	22,286	3,497
Prepayments and other current assets	106,475	123,536	272,075	42,695	274,295	43,044
Total current assets	3,901,952	3,720,166	8,334,165	1,307,813	8,193,753	1,285,779
Current liabilities:						
Accounts payable and accrued liabilities	287,041	501,848	1,026,534	161,086	1,062,693	166,760
Salary and welfare payables	206,840	231,847	313,676	49,223	321,121	50,391
Taxes payable	7,046	7,066	66,184	10,386	17,654	2,770
Contract liabilities	107,128	159,995	239,757	37,623	245,437	38,514
Amounts due to related parties	96,185	45,983	83,591	13,117	82,419	12,933
Short term lease liabilities	22,747	2,893	40,525	6,359	41,888	6,573
Other current liabilities	36,053	64,936	127,447	19,999	116,211	18,237
Total current liabilities	763,040	1,014,568	1,897,714	297,793	1,887,423	296,178
Net current assets	3,138,912	2,705,598	6,436,451	1,010,020	6,306,330	989,601

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Our net current assets increased from RMB2.7 billion as of December 31, 2020 to RMB6.4 billion (US\$1.0 billion) as of December 31, 2021, primarily due to (i) an increase of RMB1.7 billion (US\$270.3 million) in term deposits, (ii) an increase of RMB1.2 billion (US\$188.2 million) in cash and cash equivalents, and (iii) an increase of RMB1.2 billion (US\$187.3 million) in short-term investments.

Our net current assets decreased from RMB3.1 billion as of December 31, 2019 to RMB2.7 billion as of December 31, 2020, primarily due to (i) a decrease of RMB446.2 million in short-term investments, (ii) an increase of RMB214.8 million in accounts payable and accrued liabilities, and (iii) a decrease of RMB58.2 million in term deposits, partially offset by an increase of RMB240.1 million in trade receivables.

Short-Term Investments

Short-term investments mainly include investments in financial instruments with a variable interest rate indexed to performance of underlying assets for cash management purposes. From the cash management and risk control perspective, we diversify our investment portfolios and mainly purchase low risk products from reputable banks in China and overseas and prefer those products with high liquidity. We prudently manage our short-term investments portfolio and their respective term to ensure that we have short-term investments readily convertible into cash from time to time in the event that there is a need for liquidity. Our short term investments decreased from RMB1.5 billion as of December 31, 2019 to RMB1.0 billion as of December 31, 2020, primarily due to a decrease in redeemable and low-risk investment products purchased at major banks in China and overseas, and further increased to RMB2.2 billion (US\$351.4 million) as of December 31, 2021 primarily due to an increase in redeemable and low-risk investment products purchased at major banks in China using proceeds from our initial public offering in the United States.

Trade Receivables

Trade receivables primarily consist of outstanding amounts payable by third parties. Our trade receivables increased from RMB245.9 million as of December 31, 2019 to RMB486.0 million as of December 31, 2020 and further increased to RMB831.6 million (US\$130.5 million) as of December 31, 2021, primarily due to the increase in revenues relating to our advertising services due from third parties. As of February 28, 2022, RMB217.3 million (US\$34.1 million), or 24.4%, of our trade receivables as of December 31, 2021 were settled. We applied ASC Topic 326 to measure current expected credit losses for all trade receivables. We recorded provision of allowance for expected credit losses of trade receivables of RMB11.9 million, RMB27.9 million, and RMB58.6 million (US\$9.2 million) as of December 31, 2019, 2020, and 2021, respectively. Details of the provision of allowance for expected credit losses of trade receivables are disclosed in Note 4 of Accountant's Report set out in Appendix I.

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We primarily allow a settlement term ranging from 60 to 120 days pursuant to our agreements with our trade partners. Aging analysis of trade receivables (net of allowance for expected credit losses of trade receivables) based on recognition date is as follows:

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Up to three months	151,992	319,785	495,638	77,777
Three to six months	57,217	120,953	219,410	34,430
Six months to one year	37,236	56,136	124,725	19,572
Over one year	11,360	17,069	50,450	7,917
Less: allowance for expected credit losses of trade receivables	(11,862)	(27,897)	(58,595)	(9,195)
Total	245,943	486,046	831,628	130,501

The following table sets forth our trade receivables turnover days for the periods indicated:

	For the Year Ended December 31,		
	2019	2020	2021
Trade receivables turnover days	119	99	81

Note:

- (1) Trade receivables turnover days for a period equals the average of the opening and closing trade receivables balance divided by revenue for the same period and multiplied by 365 days for a full-year period.

Our trade receivables turnover days in 2019, 2020, and 2021 were 119 days, 99 days, and 81 days, respectively. The decrease was primarily due to the increase in revenues relating to our paid membership services due from third parties.

Prepayment and Other Current Assets

Prepayment and other current assets primarily comprise deductible input value-added tax, prepayment for marketing cost and other operational expenses, derivative asset, prepaid content cost, interest income receivable and other current deposits. The following table sets forth our prepayment and other current assets as of the dates indicated:

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Prepayments and Other Current Assets				
Deductible input value-added tax	72,479	46,689	29,567	4,640
Prepayment for marketing expenses and other operational expenses	10,306	52,800	70,628	11,083
Derivative asset	7,132	—	—	—
Prepaid content cost	6,885	8,441	35,204	5,524
Other receivable related to exercise of employee options	—	—	94,264	14,792
Interest income receivable	4,844	364	15,303	2,401
Rental and other deposits	2,826	10,583	19,336	3,034
Others	2,003	4,659	7,773	1,221
Total	106,475	123,536	272,075	42,695

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Our prepayment and other current assets increased from RMB106.5 million as of December 31, 2019 to RMB123.5 million as of December 31, 2020 primarily due to increase in prepayment for marketing expense and other operational expenses, partially offset by decrease in deductible input value-added tax and further increased to RMB272.1 million (US\$42.7 million) as of December 31, 2021, primarily due to increase in receivable related to exercise of employee options and prepaid content cost, partially offset by decrease in deductible input value-added tax.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent (i) accrued sales rebates, (ii) operational costs payables and accruals, and (iii) marketing expenses payables and accruals. The following table sets forth our accounts payable and accrued liabilities as of the dates indicated:

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Accrued sales rebates	92,951	166,644	247,615	38,856
Operational costs payables and accruals	27,647	148,387	386,354	60,628
Marketing expenses payables and accruals	156,447	166,531	315,806	49,557
Others	9,996	20,286	76,759	12,045
Total	287,041	501,848	1,026,534	161,086

Accounts payable and accrued liabilities increased from RMB287.0 million as of December 31, 2019 to RMB501.8 million as of December 31, 2020, and further increased to RMB1,026.5 million (US\$161.1 million) as of December 31, 2021, primarily due to increase in marketing expenses payables and accruals, operational costs payables and accruals and accrued sales rebate. As of February 28, 2022, we settled RMB456.8 million, or 44.5%, of the RMB1,026.5 million (US\$161.1 million) accounts payable and accrued liabilities as of December 31, 2021.

Salary and Welfare Payables

Salaries and welfare payables increased from RMB206.8 million as of December 31, 2019 to RMB231.8 million as of December 31, 2020, and further increased to RMB313.7 million (US\$49.2 million) as of December 31, 2021, primarily due to our increased headcount.

Contract Liabilities

Contract liabilities primarily relate to the payments received for advertising services, paid content services, and content-commerce solutions in advance of performance under the contract.

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Our contract liabilities increased from RMB107.1 million as of December 31, 2019 to RMB160.0 million as of December 31, 2020, and further increased to RMB239.8 million (US\$37.6 million) as of December 31, 2021, primarily due to increase in revenues related to paid membership and content-commerce solutions.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have financed our operations primarily through cash generated by historical equity financing. We had cash and cash equivalents, term deposits, and short-term investments of RMB3.5 billion, RMB3.1 billion, and RMB7.4 billion (US\$1.2 billion) as of December 31, 2019, 2020, and 2021, respectively.

After this offering, we may decide to enhance our liquidity position or increase our cash reserve for future operations and investments through additional financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increasing fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Substantially all of our revenues have been, and we expect will likely to continue to be, denominated in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

Although we consolidate the results of our variable interest entities and their subsidiaries, we only have access to the assets or earnings of our variable interest entities and their subsidiaries through contractual arrangements. See “Contractual Arrangements.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

During the Track Record Period and up to the Latest Practicable Date, we financed our operations primarily through cash generated from equity financing. We had cash and cash equivalents, term deposits, and short-term investments of RMB3.5 billion, RMB3.1 billion, and RMB7.4 billion (US\$1.2 billion) as of December 31, 2019, 2020, and 2021, respectively. Overall, as we continue to grow in scale, we expect to further benefit from operating leverage

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of the Zhihu community, which in turn will lead to decreases in our costs and operating expenses as percentages of our total revenues. With continuing growth of user base and revenue scale across different monetization channels, we can further improve our net margin and achieve profitability.

Our Directors are of the opinion that, taking into account the cash and cash equivalents on hand and the financial resources available to us, we have sufficient working capital for our present requirement, which is, for at least the next 12 months from the date of this prospectus.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash used in operating activities ⁽¹⁾	(715,522)	(244,421)	(440,234)	(69,084)
Net cash (used in)/generated from investing activities	(2,102,488)	430,113	(3,136,503)	(492,185)
Net cash generated from financing activities	2,997,575	9,286	4,876,247	765,190
Effect of exchange rate changes on cash and cash equivalents	7,491	(137,508)	(100,169)	(15,718)
Net increase in cash and cash equivalents	187,056	57,470	1,199,341	188,203
Cash and cash equivalents at the beginning of the year	713,294	900,350	957,820	150,303
Cash and cash equivalents at the end of the year	900,350	957,820	2,157,161	338,506

Note:

- (1) The following table sets forth the reconciliation of net cash used in operating activities for the periods indicated:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Net cash flow used in operating activities before changes in operating assets and liabilities	(800,939)	(234,362)	(731,638)	(114,811)
Changes in operating assets and liabilities	85,417	(10,059)	291,404	45,727
Net cash used in operating activities	(715,522)	(244,421)	(440,234)	(69,084)

Operating Activities

For the year ended December 31, 2021, net cash used in operating activities was RMB440.2 million (US\$69.1 million), which was primarily attributable to our net loss of RMB1.3 billion (US\$203.8 million), as adjusted by deducting a fair value change of financial instrument of RMB27.8 million, an accrued investment income of short-term investments of RMB6.4 million and a deferred income tax of RMB1.1 million, adding back other non-cash

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items of RMB602.5 million, which primarily comprised share-based compensation expenses of RMB548.5 million and provision of allowance for expected credit losses of RMB32.6 million, and adding another RMB291.4 million released from working capital. The cash released from working capital was primarily the result of (i) an increase of RMB524.2 million in accounts payable and accrued liabilities, (ii) an increase of RMB119.8 million in lease liabilities, and (iii) an increase of RMB81.4 million in salary and welfare payables to our employees, partially offset by an increase of RMB374.7 million in trade receivables.

For the year ended December 31, 2020, net cash used in operating activities was RMB244.4 million, which was primarily attributable to our net loss of RMB517.6 million, as adjusted by deducting an accrued investment income of short-term investments of RMB2.4 million, adding back other non-cash items of RMB285.5 million, which primarily comprised share-based compensation expenses of RMB180.1 million and fair value change of financial instrument of RMB68.8 million, and deducting RMB10.1 million used for working capital. The cash used for working capital was primarily the result of (i) an increase of RMB257.1 million in trade receivables in relation to the increasing scale of our advertising business and (ii) a decrease of RMB57.9 million in net amount due to related parties, which reflected an increase in settlement of cloud service fees with service providers who are also our shareholders, which was partially offset by (y) an increase of RMB214.8 million in accounts payable and accrued liabilities and (z) an increase of RMB52.9 million in contract liabilities, both reflecting the increasing scale of our advertising business.

For the year ended December 31, 2019, net cash used in operating activities was RMB715.5 million, which was primarily attributable to our net loss of RMB1.0 billion, as adjusted by deducting an accrued investment income of short-term investments of RMB4.9 million and a gain of RMB7.1 million from unrealized fair value change of financial instrument, adding back other non-cash items of RMB215.3 million, which primarily comprised share-based compensation expenses of RMB179.7 million, and adding another RMB85.4 million released from working capital. The cash released from working capital was primarily the result of (i) an increase of RMB66.0 million in salary and welfare payables to our employees, (ii) an increase of RMB42.0 million in contract liabilities, and (iii) an increase of RMB38.6 million in accounts payable and accrued liabilities, partially offset by an increase of RMB62.6 million in trade receivables. The increase in contract liabilities, accounts payable and accrued liabilities, and trade receivables all reflect the increasing scale of our advertising business.

Investing Activities

For the year ended December 31, 2021, net cash used in investing activities was RMB3,136.5 million (US\$492.2 million), which was primarily attributable to (i) purchase of short-term investments of RMB6.4 billion and (ii) purchase of term deposits of RMB4.9 billion, partially offset by proceeds of maturities of short-term investments of RMB5.2 billion and proceeds from disposal of term deposits of RMB3.0 billion.

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For the year ended December 31, 2020, net cash generated from investing activities was RMB430.1 million, which was mainly attributable to (i) proceeds of maturities of short-term investments of RMB6,594.7 million and (ii) proceeds from disposal of term deposits of RMB2,319.2 million, partially offset by (y) purchases of short-term investments of RMB6,153.1 million and (z) purchases of term deposits of RMB2,328.7 million.

For the year ended December 31, 2019, net cash used in investing activities was RMB2.1 billion, which was mainly attributable to (i) purchase of short-term investments of RMB3.5 billion and (ii) purchase of term deposits of RMB1.2 billion, partially offset by proceeds of maturities of short-term investments of RMB2.3 billion.

Financing Activities

For the year ended December 31, 2021, net cash generated from financing activities was RMB4,876.2 million (US\$765.2 million), which was primarily attributable to net proceeds from issuance of Class A ordinary shares upon the completion of our initial public offering.

For the year ended December 31, 2020, net cash generated from financing activities was RMB9.3 million, which primarily comprised proceeds received from employees in relation to share options.

For the year ended December 31, 2019, net cash generated from financing activities was RMB3.0 billion, which primarily comprised net proceeds from issuance of convertible redeemable preferred shares.

BUSINESS SUSTAINABILITY

During the Track Record Period, we incurred operating losses and net operating cash outflows.

The following table sets forth certain financial data for the periods indicated.

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands, except percentages)			
Revenue	670,511	1,352,196	2,959,324	464,382
Gross profit	312,270	757,797	1,553,901	243,840
Gross profit margin	46.6%	56.0%	52.5%	52.5%
Net loss	(1,004,220)	(517,550)	(1,298,880)	(203,823)
Net loss margin	149.7%	38.3%	43.9%	43.9%
Non-GAAP Financial Measure:				
Adjusted net loss margin	123.0%	25.0%	25.4%	25.4%

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Through our continued efforts in various aspects of business operations, including content accumulation and diversification, brand image, user acquisition, and research and development to build the Zhihu community, we had more flexibility to increase revenue and improve the cost and operating expense structure to enhance the profitability in the long run. Historically, our operating loss margins and net loss margins decreased from 157.8% and 149.7% in 2019 to 44.6% and 38.3% in 2020 and then increased to 47.0% and 43.9% in 2021, respectively. Our adjusted net loss margin (non-GAAP financial measure) decreased from 123.0% in 2019 to 25.0% in 2020 and then increased to 25.4% in 2021.

Our gross profit margin decreased from 56.0% in 2020 to 52.5% in 2021, primarily due to our content contribution and our continued efforts in broadening and enhancing content offerings for all of our users. The decrease in gross profit margin and increases in operating loss margin and net loss margin are primarily attributable to our continuing build-up and expansion of our content ecosystem and related content-related costs and selling and marketing expenses. This may require additional expenditures, such as advertising execution costs and content-related costs, which could lead to a decrease in gross profit margin in the near future. For example, as part of our promotion of “fulfilling content” and enhancement of content infrastructure, we continued to invest in content and content creators by content creators’ participation in content-commerce solutions and paid-membership. In addition, the rapid growth in user traffic and content portfolio have resulted, and may continue to result in the foreseeable future, in an increase in cloud services and bandwidth costs. These costs were, and will in the foreseeable future be, purposely incurred in light of Zhihu’s achievement and development stage to further enhance Zhihu’s content quality and content portfolio, promote community culture and user engagement, and solidify organic growth.

MAU is a key driver of our business growth and financial performance. We strategically plan to cultivate an organic user growth and a healthy user base through ever-growing, and diverse user-generated content, strong brand, superior user experience, and cost-efficient user acquisition strategies. As a result, our average MAUs increased from 48.0 million in 2019 to 68.5 million in 2020 and further to 95.9 million in 2021, which laid a foundation for monetization and business growth during the Track Record Period. Our revenue increased substantially from RMB670.5 million in 2019 to RMB1.4 billion in 2020 and further to RMB3.0 billion (US\$464.4 million) in 2021, and our gross profit increased from RMB312.3 million in 2019 to RMB757.8 million in 2020 and further to RMB1.6 billion (US\$243.8 million) in 2021.

The following table sets forth our unaudited quarterly revenue, quarterly average MAUs, and quarterly revenue per MAU for the periods indicated. The quarterly revenue per MAU is calculated based on our selected unaudited quarterly revenue derived from our management accounts and have not been audited. Our historical results are not necessarily indicative of the

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results to be expected for any future period. The following information should be read in conjunction with the consolidated financial statements included in the Accountant’s Report set forth in Appendix I, including the related notes, as well as the section headed “Financial Information.”

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Quarterly revenue (RMB in millions)	118.0	154.6	173.9	224.0	188.2	261.4	382.8	519.8	478.3	638.4	823.5	1,019.2
Quarterly average MAUs (million)	39.2	44.3	51.7	56.9	61.8	64.5	72.2	75.7	85.0	94.3	101.2	103.3
QoQ growth of quarterly average MAUs	—	13.2%	16.5%	10.1%	8.5%	4.4%	12.0%	4.8%	12.3%	10.9%	7.3%	2.1%
YoY growth of quarterly average MAUs	—	—	—	—	57.8%	45.4%	39.8%	33.0%	37.7%	46.2%	40.1%	36.4%
Quarterly revenue per MAU (RMB)	3.0	3.5	3.4	3.9	3.0	4.1	5.3	6.9	5.6	6.8	8.1	9.9

Our quarterly average MAUs generally increased on a year-over-year basis during the Track Record Period. Although we expect our user base to continue to experience a growing trend in the near future, we may experience fluctuations of quarterly average MAUs on a quarterly basis, particularly during the fourth and first quarter of a year. For instance, on a year-over-year basis, our quarterly average MAUs in the first quarter of 2022 will continue to experience growth, but on a quarter-over-quarter basis, it may stay relatively flat or even experience a decrease compared with the quarterly average MAUs in the previous quarter, primarily attributable to the seasonality and the impact of external environment and market condition. We will continue to enhance our monetization efforts to ensure our overall business growth, and we believe that the quarter-over-quarter fluctuation of our quarterly average MAUs in the first quarter of 2022 will not affect our path to profitability. Meanwhile we will continue to enhance the monetization effectiveness and efficiency on a per-MAU basis. According to CIC, it is common for companies that were experiencing growth trend in user base to record fluctuations in average MAUs on a monthly or quarterly basis, and the general trend of MAUs of such companies had not been materially affected by such individual quarterly fluctuations. For further details, see “Business—Our Monetization.”

We have been enhancing our content-centric monetization in each of the revenue streams during the Track Record Period. For example, our content-commerce solutions were formally launched in early 2020. Despite the relatively short operating history, our content-commerce solutions have proven to be a highly effective marketing approach for merchants and brands, evidenced by an overall click-through rate multiple times higher than that of traditional advertising in the market according to CIC. In addition, our revenue from content commerce-solutions experienced approximately five times year over year growth in 2021. According to the CIC Survey, most of our clients consider content-commerce solutions to be effective marketing solutions, and therefore, merchants and brands are willing to spend more on content-commerce solutions to build a cumulative content portfolio for branding. We will continue to grow our content-commerce solutions and enhance other content-centric monetization.

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Due to our success in monetization initiatives, our revenue per MAU has increased from RMB14.0 in 2019 to RMB30.9 in 2021, representing a CAGR of 48.6% or a RMB16.9 increment. We will continue to cultivate our content ecosystem and expand our user base in a cost-effective manner, to attract more users, content-creators and merchants and brands to our community, and further enhance our content-centric monetization to further increase our revenue per MAU.

We have adopted various ways to cultivate our content ecosystem, such as continued investment into content, incentivize content creation, and strategically conducting sales and marketing activities to grow our user base. The increases in our content costs (which we incur to acquire premium content and to incentivize content creation) and selling and marketing expenses (which we incur to enhance brand image and expand user base) reflect our strategic decision to cultivate a comprehensive content ecosystem and a vibrant user base, enhance the content creation collaboration within the Zhihu community, and support the development of new monetization channels such as content-commerce solutions. In 2019, 2020, and 2021, our content costs per MAU were RMB1.6, RMB3.0, and RMB7.8, respectively, and our selling and marketing expenses per MAU were RMB16.0, RMB10.7, and RMB17.0, respectively. During the Track Record Period, there was an increasing trend of our content costs and selling and marketing expenses on a per-MAU basis, partially reflecting, among other things, the dynamic competitive landscape of the industry, and we had achieved increasing revenues on a per-MAU basis and a higher revenue growth rate on a per-MAU basis than content costs and selling and marketing expenses on a per-MAU basis, which generates fluctuating marginal contribution to our financial performance. In addition, we actively manage the content costs through multiple ways, including dynamically monitoring and adjusting the incentive mechanism for commercial content creators and budget allocation for content acquisition.

Our adjusted net loss margin (non-GAAP financial measure) increased from 25.0% in 2020 to 25.4% in 2021, primarily due to the decrease in the gross profit margin and the increase in selling and marketing expenses to further strengthen our brand image through omnichannel marketing activities, scenario-based promotional campaigns, and marketing personnel engagement, partially offset by enhanced control over other operating expenses. The expenditures are necessary for our expansion of infrastructure in preparation for the next stage of robust growth. Our content costs and selling and marketing expenses on a per-MAU basis may continue to increase in the near future, and believe that our overall profitability can be achieved through our commitment to effectuate a higher revenue growth on a per-MAU basis compared to our cost and expenses on a per-MAU basis. We will continue to manage our content costs that incentivize content creation in line with our business growth, pursue efficient user acquisition strategy to benefit from the UGC and PUGC on Zhihu, and monitor our selling and marketing expenses for branding to solidify our achievement and step up to the next stage of development. As we continue to invest in our algorithms, content, and marketing to retain users, we may continue to be loss-making and our path to profitability may not materialize.

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Continuing to Grow Our User Base

We expand our user base over the years in multiple ways, including, among other things, our continued efforts in expanding the breadth, depth, and quality of our content portfolio, offering more diverse and attractive content offerings with a vibrant and self-reinforcing community, implementing precise and cost-effective marketing strategies by deploying multi-dimensional user acquisition, and providing superior user experience supported by investments in our technology infrastructure, resulting in better user retention and word-of-mouth spread.

We will continue to grow our user base by leveraging our strong brand, and ever-growing content, and superior user experience. Our growing user base helps us convert more content creators to generate more content on Zhihu, which further stimulates user engagements and spending. Our focus on content enables us to nurture a vibrant community, which can help realize our monetization potential over time. We will continue to expand our content and service offerings to meet the diverse needs of users, thereby attracting more users to the Zhihu community and improving users' willingness to pay and revenue per user.

Increasing Monetization Capabilities

We plan to further improve the effectiveness of our current monetization channels and increase the spending of our merchants and brands as well as subscribing users.

Online Advertising

We generate advertising revenue primarily through paying merchants and brands. We have generally experienced lower advertising revenue in the first quarter of each year in connection with the Chinese New Year holidays as merchants and brands generally limit their budget for advertising services during the period and higher advertising revenue in second half of each year than the first half of each year. As our user base continues to grow and we deepen our understanding of users and comprehension of content, we will further improve the effectiveness of online advertising based on more accurate distribution to appropriate users and more diverse content products. The increasing attractiveness of our online advertising could invite more spending by merchants and brands. This is evidenced by the increase of our advertising revenue per MAU from RMB12.0 in 2019 to RMB12.1 in 2021.

Paid Membership

We generate paid membership revenue primarily through subscription fees for the Yan Selection (鹽選) membership program. The willingness of our users to pay for premium content largely depends on its breadth, depth, and quality. We expect that our paid membership business benefits from our expanding premium content library and results in higher value for our subscribing members. As our paid membership program continues to receive wider acceptance, we will continue to improve the paying ratio, average monthly subscribing member, and average spending per subscribing member on Zhihu. For example, our average monthly subscribing

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members increased significantly from 0.6 million in 2019 to 2.4 million in 2020 and further to 5.1 million in 2021, and our paying ratio increased from 1.2% in 2019 to 3.4% in 2020 and further to 5.3% in 2021. Our paid membership revenue per subscribing members decreased from RMB153 in 2019 to RMB136 in 2020 and further decreased to RMB132 in 2021, due to a relatively delayed nature of paid membership revenue growth following the rapid growth of MAUs and subscribing members during the Track Record Period.

Content-Commerce Solutions

We generate content-commerce solutions revenue through paying merchants and brands. Our content-commerce solutions have demonstrated strong growth momentum. In May 2021, we also launched the Cheese platform, which strengthen the commercial content connectivity and monetization efficiency for content creators and merchants and brands. As we further expand and better understand our content and user base, we are able to provide merchants and brands with better content-centric marketing solutions and higher marketing effectiveness, which in turn will invite more merchants and brands to our community and allocate more marketing budget to our content-commerce solutions. As a result, our content-commerce solutions revenue per MAU increased from nil in 2019 to RMB2.0 in 2020, and further to RMB10.2 in 2021.

Other New Services

Leveraging our content, we will continue to explore additional content-centric monetization channels and new revenue streams. For example, we have launched our vocational training and e-commerce services to expand our service coverage and meet diverse user demands. We seek to further launch additional monetization channels to capitalize on our content operations.

Improving Operating Leverage

We intend to manage our costs and expenses level and improve margins and operating leverage.

Our costs of revenue primarily consist of content-related costs in 2021. As a UGC-based online content community, we are well positioned to effectively manage our content cost and revenue sharing mechanisms. For example, we focus on investing in content and content creators by incentivizing content creators' participation in content-commerce solutions and paid membership. Such investment will benefit us in the long run as it further enhances the quantity and quality of content and the inter-connectivity between content creation power of the Zhihu platform and the need for content under our content-commerce solutions and premium content operations, which will solidify organic growth and bring the growth of various content-centric monetization channels to the next level. We expect our content costs as a percentage of total revenue to decrease in the foreseeable future, which helps us improve the efficiency of our cost structure with respect to content.

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Our operating expenses primarily consist of selling and marketing expenses during the Track Record Period. Leveraging our strong brand, fast-growing user base, and comprehensive content, our community is increasingly attractive and thus provides us with more flexibility in managing operating expenses. Our selling and marketing expenses as a percentage of our total revenue decreased from 114.3% in 2019 to 54.3% in 2020, and increased to 55.2% in 2021, respectively. Our selling and marketing expenses per average MAU and our selling and marketing expenses per net incremental MAU decreased from RMB16.0 and RMB79.0 in 2019 to RMB10.7 and RMB35.8 in 2020, respectively, reflecting the impact of the COVID-19 pandemic on our MAU growth in the first quarter of 2020. Our selling and marketing expenses per average MAU and our selling and marketing expenses per net incremental MAU further increased to RMB17.0 and RMB59.7 in 2021, primarily driven by increased spending in special promotion and advertising activities that we intentionally conducted in 2021 for enhanced branding and user acquisition, such as our ten-year anniversary event. We expect to continue to strategically incur selling and marketing expenses to further strengthen our branding and improve user acquisition to supplement our organic user growth. We will focus on highly rewarding marketing opportunities, including our theme activities and campaigns, and targeted user acquisition strategies, such as scenario-based campaigns, to further increase our user base effectively. We expect to see a lower percentage of our total revenue in the future as we continue to grow and diversify our revenue streams and improve operating efficiency.

We continue to invest in our research and development capabilities to empower key aspects of our business. We intend to further strengthen our technological infrastructure to support our content operations. We also plan to further attract and retain research and development talents. Our research and development expenses as a percentage of our total revenue decreased from 52.3% in 2019 to 24.4% in 2020, and further decreased to 20.9% in 2021. We expect that our total revenue growth rate will be higher than that of our research and development expenses in the future.

Overall, as we continue to grow in scale, we expect to further benefit from operating leverage on Zhihu. We are confident that with continued growth of user base and revenue scale across different monetization channels, we can further improve our net margin and achieve profitability. Our Directors are of the opinion that, taking into account the cash and cash equivalents on hand, and term deposits and short-term investments, we have sufficient working capital for our present requirement, which is, for at least the next 12 months from the date of this prospectus.

In summary, our strategic incurrence of operating costs and expenses has yielded the further enhancement of our brand image and business scale. Zhihu is a leading online content community. Our Directors are of the view that our monetization strategy and the incentive provided to content creators and that the content under the content commerce solutions tailored to the needs of merchants and brands will unlikely impose any material adverse effect on the quality or authenticity of the Zhihu content. As of December 31, 2021, the Zhihu community had 490 million cumulative pieces of content, including 420 million cumulative Q&As, covering over 1,000 verticals and 1.8 million topics, as well as 55 million cumulative content creators. In the fourth quarter of 2021, Zhihu had 99.6 million average mobile MAUs, 500 million average monthly viewers, and 390 million average monthly engagements. Our revenue

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increased from RMB670.5 million in 2019 to RMB1.4 billion in 2020, and further to RMB3.0 billion (US\$464.4 million) in 2021, representing a CAGR of 110.1% from 2019. Based on the foregoing, our Directors believe that (i) the Company's strategies to pursue profitability, including increasing business scale, strengthening monetization capabilities, and improving financial performance, are effective, (ii) the Company's advertising revenue may increase if the number of its MAUs increases, and (iii) the Company's paid membership revenue will increase if the number of its subscribing members increases, and nothing has come to the Joint Sponsors' attention that would reasonably cause them to disagree the Directors' view.

RECONCILIATION BETWEEN U.S. GAAP AND IFRS

Our historical financial information is prepared in accordance with U.S. GAAP, which differs in certain respects from IFRS. The effects of material differences between our historical financial information prepared under U.S. GAAP and IFRS are as follows:

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Net loss attributable to Zhihu Inc.'s shareholders as reported under U.S. GAAP	(1,431,001)	(1,198,284)	(1,469,465)
IFRS adjustments			
Preferred shares	(2,112,719)	(2,518,553)	(7,503,996)
Issuance costs	(26,490)	—	(49,602)
Operating leases	(152)	728	(1,647)
Share-based compensation	4,489	(10,160)	4,729
Net loss attributable to Zhihu Inc.'s shareholders as reported under IFRS	(3,565,873)	(3,726,269)	(9,019,981)
	As of December 31,		
	2019	2020	2021
	RMB	RMB	RMB
	(in thousands)		
Total shareholders' (deficit)/equity as reported under U.S. GAAP	(3,992,241)	(5,144,475)	6,738,149
IFRS adjustments			
Preferred shares	(4,975,400)	(6,584,608)	—
Issuance costs	(72,032)	(72,032)	(21,874)
Operating leases	(893)	(165)	(1,812)
Total shareholders' (deficit)/equity as reported under IFRS	(9,040,566)	(11,801,280)	6,714,463

Classification and Measurement of Preferred Shares

Under U.S. GAAP, our preferred shares are accounted for as mezzanine equity. The mezzanine equity is initially recognized at the respective fair value at the date of issuance net of issuance costs and subsequently accreted to the redemption value of each series of preferred shares from the issuance dates to the earliest redemption dates. The accretions using the

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effective interest method, are recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit.

Under IFRS, the preferred shares, which are contingently redeemable at the option of the holder, are classified as financial liabilities. The convertible redeemable preferred shares are designated as financial liabilities at fair value through profit or loss, which are initially and subsequently measured at fair value. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income/(loss); and the remaining amount of change in the fair value of the liability is presented in profit or loss.

Issuance Costs

Issuance Cost in Relation to Our IPO

Under U.S. GAAP, specific incremental costs considered directly attributable to the offering of equity securities (“**issuance costs**”) may be deferred and capitalized against the gross proceeds of the offering.

Under IFRS, only those issuance costs considered directly attributable to the issuance of new shares to investors can be capitalized. Those issuance costs considered directly attributable to the listing of existing shares on a stock exchange are not considered transaction costs that qualify for capitalization. Such costs should be expensed as incurred instead.

Issuance Cost in Relation to Issuance of Preferred Shares

Under U.S. GAAP, each issuance of the Preferred Shares is recognized at the respective fair value at the date of issuance net of issuance costs.

Under IFRS, directly attributable transaction costs in relation to the issuance of Preferred Shares are expenses as incurred that recognized as finance costs in the consolidated statements of operations and comprehensive loss.

Operating Leases

Under U.S. GAAP, for operating leases, the amortization of right-of-use assets and the interest expense element of lease liabilities are recorded together as lease expenses, which results in a straight-line recognition effect in the consolidated statements of operations and comprehensive loss.

Under IFRS, all leases are accounted for like finance leases where right-of-use assets are generally depreciated on a straight-line basis while lease liabilities are measured under the effective interest method, which results in higher expenses at the beginning of the lease term and lower expenses near the end of the lease term.

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Share-Based Compensation

Under U.S. GAAP, awards with performance targets met during the service period upon such as the fulfillment of a qualified successful IPO is a performance vesting condition. The fair value of such awards should not incorporate the probability of the condition vesting, but rather, recognized only when the performance condition is probable to be achieved. The cumulative share-based compensation expenses for the share options that have satisfied the service condition were recorded upon the completion of the IPO. We are allowed to make an accounting policy election to account for awards forfeitures as they occur or by estimating expected forfeitures as compensation cost is recognized. We elect to account for forfeitures in the period they occur as a deduction to expense.

Under IFRS, when an award is conditional on an IPO occurring with service condition at the same time, but employee service up to the IPO date is not required, the IPO condition is a non-vesting condition which is reflected in the measurement of the fair value of such award. The shared-based compensation expenses for such awards should be recognized over the service period. In regard of forfeitures of the awards, IFRS does not allow a similar policy election as U.S. GAAP. Therefore, share-based compensation expenses have to be recognized net of estimated forfeitures.

For more details about reconciliation between U.S. GAAP and IFRS during the Track Record Period, see Note 27 to the Accountant's Report in Appendix I.

INDEBTEDNESS

Borrowings

As of December 31, 2019, 2020, 2021, and February 28, 2022, we did not have any bank borrowings.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease primarily for our offices. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,				As of February 28,	
	2019	2020	2021		2022	
	RMB	RMB	RMB	US\$	RMB	US\$
	(in thousands)				(unaudited)	
Current	22,747	2,893	40,525	6,359	41,888	6,573
Non-current	2,893	—	82,133	12,888	74,693	11,721
Total	25,640	2,893	122,658	19,247	116,581	18,294

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Contingent Liabilities

As of December 31, 2019, 2020, 2021, and February 28, 2022, we did not have any material contingent liabilities.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of February 28, 2022.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchases of property, plant and equipment and purchases of intangible assets. Our total capital expenditures were RMB5.8 million in 2019, RMB2.0 million in 2020 and RMB7.4 million (US\$1.2 million) in 2021. We intend to fund our future capital expenditures with our existing cash balance. We will continue to make capital expenditures to meet the expected growth of our business. The following table sets forth our capital expenditures for the periods indicated:

	For the Year Ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Purchase of intangible assets	1,222	—	—	—
Purchase of property, plant and equipment	4,528	1,952	7,440	1,167
Total	5,750	1,952	7,440	1,167

CONTRACTUAL OBLIGATIONS

Operating Leases Commitment

We lease various offices under non-cancellable operating lease agreements. The lease terms under those agreements are between 2 and 5 years, and a majority of them are renewable at the end of the applicable lease period at the then market rate. The following table sets forth our operating leases commitment as of the dates indicated.

	As of December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Office building	26,328	2,954	130,666	20,504

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Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2021.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk, or credit support to us or engages in leasing, hedging, or product development services with us.

HOLDING COMPANY STRUCTURE

Zhihu Inc. is a holding company with no material operations of its own. We conduct our operations through our PRC subsidiaries and our VIE in China. As a result, our ability to pay dividends depends significantly upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their accumulated after-tax profits, if any, as determined in accordance with PRC accounting standards and regulations. Under the PRC law, each of our PRC subsidiaries and our VIE in China is required to set aside at least 10% of its after-tax profits each year, if any, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our wholly foreign-owned subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and our VIE may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by the SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. The amounts due to and from related parties as of December 31, 2019, 2020, and 2021 are all trade in nature. For more details about our related party transactions during the Track Record Period, see Note 20 to the Accountant's Report in Appendix I.

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Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

DIVIDEND POLICY

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including U.S. GAAP. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by us.

INFLATION

To date, inflation in China has not materially affected our results of operations. According to the PRC National Bureau of Statistics, the year-over-year percentage changes in the consumer price index for December 2019, 2020, and 2021 were increases of 4.5%, 0.2%, and 1.5% respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future. For example, certain operating expenses, such as employee, technology, and office related expenses may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and cash equivalents and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposure to higher inflation in China.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Our expenditures are mainly denominated in Renminbi and, therefore, we are exposed to risks related to movements between Renminbi and U.S. dollars. We enter into hedging transactions in an effort to reduce our exposure to foreign currency exchange risk when we deem appropriate. In addition, the value of your investment in our Shares and the ADSs will be affected by the exchange rate between U.S. dollars and Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The value of Renminbi against U.S. dollars and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government

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changed its policy of pegging the value of Renminbi to U.S. dollars. Following the removal of the U.S. dollar peg, Renminbi appreciated over 20% against U.S. dollars over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between Renminbi and U.S. dollars remained within a narrow band. Since June 2010, the PRC government has allowed Renminbi to appreciate slowly against U.S. dollars again, and it has appreciated over 10% since June 2010. On August 11, 2015, the People's Bank of China, or the PBOC, announced plans to improve the central parity rate of Renminbi against U.S. dollars by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. Effective from October 1, 2016, the International Monetary Fund added Renminbi to its Special Drawing Rights currency basket. Such change and additional future changes may increase volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. Accordingly, it is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and U.S. dollars in the future.

To the extent that we need to convert U.S. dollars or other currencies into Renminbi for our operations, appreciation of Renminbi against U.S. dollars would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars or other currency for the purpose of making payments to suppliers or for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of U.S. dollars against Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits and wealth management products. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

From time to time, we may invest the net proceeds that we receive from our overseas offerings in interest-earning instruments. Investments in both fixed-rate and floating rate interest-earning instruments carry a degree of interest rate risk. Fixed-rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating-rate securities may produce less income than expected if interest rates fall.

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RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

A list of recently issued accounting pronouncements that are relevant to us is included in Note 2 to our audited consolidated financial information included in the Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As of December 31, 2021, we did not have any distributable reserves.

LISTING EXPENSES

Based on the indicative offer price of HK\$51.8, the total estimated listing related expenses in relation to the Global Offering is approximately RMB87.2 million, including RMB35.4 million of fees for legal advisors and Reporting Accountant, RMB18.7 million of other fees unrelated to the underwriting, and RMB33.1 million of underwriting commissions and transaction fees (including SFC transaction levy, FRC transaction levy, and Stock Exchange trading fee) payable to the Underwriters in connection with the offering of Offer Shares under the Global Offering. The underwriting commissions and transaction fees of RMB33.1 million (including SFC transaction levy, FRC transaction levy and Stock Exchange trading fee) payable to the Underwriters in connection with the offering of Offer Shares under the Global Offering and 25% of the remaining listing-related expenses of RMB13.5 million will be borne by the Selling Shareholders, and 75% of the remaining listing-related expenses of RMB40.6 million will be borne by the Company in accordance with the terms under the Underwriting Agreements. Listing expenses of approximately RMB2.0 million have been charged to the consolidated statements of operations and comprehensive loss prior to December 31, 2021, and we estimate that listing expenses of approximately RMB38.6 million will be charged to the consolidated statements of operations and comprehensive loss upon completion of the Global Offering.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on our net tangible assets as of December 31, 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our net tangible assets had the Global Offering been completed as of December 31, 2021 or at any future date. It is prepared based on our audited consolidated net assets as of December 31, 2021 as set forth in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. No adjustment has been made to reflect any trading result or

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other transactions of us entered into subsequent to December 31, 2021. Our unaudited pro forma adjusted net tangible assets does not form part of the Accountant's Report in Appendix I to this prospectus.

	Audited Consolidated Net Tangible Assets Attributable to Shareholders of the Company as of December 31, 2021	Estimated Listing Expenses	Unaudited Pro Forma Adjusted Net Tangible Assets Attributable to Shareholders of the Company	Unaudited Pro Forma Adjusted Net Tangible Assets per Share	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on 299,478,500 Shares in issue immediately prior to the Global Offering	6,588,683	(38,563)	6,550,120	21.87	26.77

Notes:

- (1) The audited consolidated net tangible assets attributable to shareholders of the Company as at December 31, 2021 has been extracted from the Accountant's Report of the Group as set out in Appendix I to this prospectus which is based on the audited consolidated net assets attributable to shareholders of the Company as at December 31, 2021 of RMB6,730,654,000 with adjustment for goodwill and intangible assets as at December 31, 2021 of RMB73,663,000 and RMB68,308,000, respectively.
- (2) In relation to the Global Offering, the Company expects to incur listing expenses in an aggregate amount of approximately RMB38,563,000 (excluding listing expenses of approximately RMB2,000,000 which have been charged to the consolidated statements of operations and comprehensive loss prior to December 31, 2021) which mainly include professional fees to the Joint Sponsors, legal advisors, and Reporting Accountant.
- (3) The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 299,478,500 Shares were issued prior to the Global Offering and assuming that the Global Offering had been completed on December 31, 2021, which includes 2,897,226 Shares issuable for little consideration but excludes 11,711,816 Class A Ordinary Shares issued to the Depositary for bulk issuance of ADSs reserved for future issuances upon the exercising or vesting of awards granted under the Share Incentive Plans, 2,451,326 Class A Ordinary Shares issued but unvested under the Share Incentive Plans, 15,323,879 Class A Ordinary Shares issued pursuant to the vesting of options and CEO awards granted after December 31, 2021, any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and any Shares to be issued pursuant to the Share Incentive Plans, including pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time, and any issuance or repurchase and cancellation of Shares and/or ADSs by the Company, after December 31, 2021.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.2240. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2021.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, Mr. Zhou, our Founder, Chairman of the Board, executive Director and Chief Executive Officer, will be interested in and will control, through his intermediaries, an aggregate of 19,227,592 Class B Ordinary Shares and 17,626,986 Class A Ordinary Shares, representing approximately 42.86% of the voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters and approximately 11.64% with respect to shareholder resolutions relating to Reserved Matters. Mr. Zhou holds his interests in the Company through MO Holding Ltd. More than 99% of the interest of MO Holding Ltd is held by South Ridge Global Limited, which is in turn wholly-owned by a trust that was established by Mr. Zhou (as the settlor) for the benefit of Mr. Zhou and his family. The remaining interest of MO Holding Ltd is held by Zhihu Holdings Inc., which is wholly-owned by Mr. Zhou. Therefore Mr. Zhou and the intermediary companies through which he controls his interest in our Company, namely, MO Holding Ltd, South Ridge Global Limited and Zhihu Holdings Inc. will be the Controlling Shareholders of our Company after the Listing.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and its close associates after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of eight Directors comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, please see the section headed “Directors and Senior Management.”

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) our Directors are aware of their fiduciary duties as a director which require, among others, that they act for the benefit and in the interest of our Company and do not allow any conflict between their duties as a Director and their personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive directors for review;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is(are) required to declare the nature of such interest before voting at the relevant Board meeting; and
- (e) we have adopted other corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, as detailed in “—Corporate governance measures.”

Based on the above, our Directors believe that our business is managed independently of our Controlling Shareholders.

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. Our Company (through our subsidiaries and consolidated affiliated entities) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or its associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that our business is financially independent of our Controlling Shareholders and that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance, on our Controlling Shareholders and its close associates after the Listing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Disclosure under Rule 8.10 of the Listing Rules

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company and our Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

In light of this, the Company has established a nominating and corporate governance committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules. The members of the nominating and corporate governance committee are independent non-executive Directors with experience in overseeing corporate governance related functions of private and listed companies. The primary duties of the nominating and corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to its WVR structure.

Under the Articles of Association, extraordinary general meetings of the Company may be convened on the written requisition of any one or more members holding, as at the date of deposit of the requisition, in aggregate shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. In addition, pursuant to the Shareholder communication policy to be adopted by the Company upon Listing, Shareholders are encouraged to put governance related matters to the Directors and to the Company directly in writing.

We will also adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders' meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which our Controlling Shareholders or any of their associates have a material interest, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted;
- (b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after Listing;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary or requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expense;
- (g) we have appointed Guotai Junan Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, compensation committee, nominating and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the Listing.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following transactions that we enter into with our connected persons will constitute connected transactions upon the Listing.

OUR CONNECTED PERSONS

The table below sets forth parties who will become our connected persons upon Listing and the nature of their relationship with our Company. We have entered into certain transactions which will constitute our continuing connected transactions following the Listing with the following connected persons:

Name	Connected relationship
Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) (“ Tencent Computer ”)	Tencent Computer is a subsidiary of Tencent (together with its affiliated companies but excluding the China Literature Group (defined below), the “ Represented Tencent Group ”). Tencent is one of our substantial shareholders.
Yueting Information Technology(Shanghai) Co., Ltd. (閱霆信息技術(上海)有限公司) (“ Shanghai Yueting ”)	Shanghai Yueting is a subsidiary of China Literature Limited (HKEX: 772) (together with its subsidiaries and consolidated affiliated entities, the “ China Literature Group ”), which is a subsidiary of Tencent. Tencent is one of our substantial shareholders.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon Listing:

Transaction	Applicable Listing Rule	Waiver sought	Proposed Annual Cap for the Year Ending December 31, (RMB)		
			2022	2023	2024
Partially-exempt continuing connected transactions					
1. Provision of Advertising Services by our Group to the Represented Tencent Group	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	36,000,000	47,000,000	61,000,000
2. Literary Content Cooperation with China Literature Group	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	7,500,000	9,000,000	10,800,000
Non-exempt continuing connected transactions					
3. Provision of Cloud Services and Technical Services by the Represented Tencent Group to our Group	Rule 14A.35 Rule 14A.36 Rule 14A.52 Rule 14A.53 Rule 14A.105	Announcement and independent shareholders’ approval, circular	150,000,000	180,000,000	216,000,000
4. Contractual Arrangements	Rule 14A.35 Rule 14A.36 Rule 14A.52 Rule 14A.53 Rule 14A.105	Announcement and independent shareholders’ approval, circular, annual cap, limiting the term to three years	N/A	N/A	N/A

CONNECTED TRANSACTIONS

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Advertising Services

On April 6, 2022, Zhizhe Sihai (for itself and on behalf of other members of our Group) entered into a framework agreement (the “**Tencent Framework Agreement**”) with Tencent Computer to regulate (a) the provision of advertising services by our Group, and (b) the provision of cloud services and technical services by the Represented Tencent Group following the Listing.

The initial term of the Tencent Framework Agreement will commence on the Listing Date and end on December 31, 2024 (both days inclusive). Separate underlying agreements will be entered into, which will set out the precise scope of services, service fees calculation, method of payment and other details of the service arrangement in the manner provided in the Tencent Framework Agreement.

Pursuant to the Tencent Framework Agreement, we will:

- (a) provide advertising services to the Represented Tencent Group by displaying online advertisement materials provided by the Represented Tencent Group or creating and displaying collaborative content on our online platforms;
- (b) provide advertising services through the *You Liang Hui* (優量匯) platform or other digital advertising platforms operated by the Represented Tencent Group (“**Tencent Advertising Platforms**”) by displaying online advertisement materials for the advertising partners of Tencent Advertising Platforms on our online platforms. The Tencent Advertising Platforms are platforms that connect buyers (i.e. the advertising partners) and suppliers of digital advertising resources. Through such platforms, Tencent cooperates with and distributes to advertising partners advertising resources provided by suppliers that use such platforms. We participate in such platforms as a supplier of advertising services and display on our online platforms the advertisement materials for the advertising partners connected through such platforms.

In return for the advertising services provided by us, the Represented Tencent Group will pay us service fees in the following manner:

- (a) For advertising services to the Represented Tencent Group, the service fees will be determined based on arm’s length negotiation between the parties based on the *Zhihu Brand Advertisement Quotation Sheet* (知乎品牌廣告刊例報價單) our Group issues from time to time. Our *Zhihu Brand Advertisement Quotation Sheet* sets out standard fixed prices for advertising services based on the platform (e.g. website, mobile site or App), type and format of the advertisement (e.g. launch screen, banner, video, graphic, text etc.), and position of the advertisement (e.g. on the main page or recommended page or in a question list etc.). The *Zhihu Brand Advertisement Quotation Sheet* applies to all our advertising services customers, including the Represented Tencent Group and other independent third parties.
- (b) For displaying online advertisement materials of the users of Tencent Advertising Platforms, the cost shall be determined based on arm’s length negotiation between the parties.

CONNECTED TRANSACTIONS

Reasons for the transaction

Provision of online advertising services through our Zhihu platforms is part of our ordinary business. The Represented Tencent Group is one of our valued long-term customers of our advertising services and we expect to continue to provide advertising services to the Represented Tencent Group following the Listing.

Pricing policy

The service fees to be charged by us for provision of advertising services to the Represented Tencent Group and through Tencent Advertising Platforms will be determined based on arm's length negotiation between the parties and, where applicable, in accordance with the *Zhihu Brand Advertisement Quotation Sheet* we issue from time to time. We will only enter into a specific advertising service agreement under the Tencent Framework Agreement if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms as compared to our provision of similar advertising services to other customers who are independent third parties; and (ii) it is in the best interests of our Company and the Shareholders as a whole.

Historical amounts, annual caps and basis of annual caps

For the years ended December 31, 2019, 2020 and 2021, the aggregate amounts of advertising services provided to the Represented Tencent Group (including Sogou Inc. and its subsidiaries for the years ended December 31, 2019, 2020 and 2021) and through Tencent Advertising Platforms amounted to approximately RMB17.1 million, RMB30.5 million and RMB23.2 million, respectively.

For the years ending December 31, 2022, 2023 and 2024, the relevant annual caps for the provision of advertising services are expected to be RMB36 million, RMB47 million and RMB61 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the aforesaid historical transaction amounts and the existing agreements between our Group and the Represented Tencent Group;
- (b) the expected demand of the Represented Tencent Group for our advertising services based on its advertising strategy and budget which is expected to increase approximately 30% per year for the coming three years; and
- (c) our expected allocation of our advertising resources.

Our Directors consider that the proposed annual caps are fair and reasonable.

CONNECTED TRANSACTIONS

Listing Rules implications

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 0.1% or more but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the advertising services contemplated under the Tencent Framework Agreement will be exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

2. Literary Content Cooperation with the China Literature Group

On April 7, 2022, Zhizhe Tianxia (for itself and on behalf of other members of our Group) entered into a framework agreement (the “**China Literature Framework Agreement**”) with Shanghai Yueting (for itself and on behalf of the China Literature Group) to regulate the parties' literary content cooperation following the Listing. The initial term of the China Literature Framework Agreement will commence on the Listing Date and end on December 31, 2024 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of cooperation, pricing terms, method of payment and other details of the cooperation pursuant to the China Literature Framework Agreement.

Pursuant to the China Literature Framework Agreement, the China Literature Group shall grant us the information network transmission rights (信息網絡傳播權) in the PRC (the “**License**”) in respect of literary content over which the China Literature Group owns the relevant intellectual property rights (including but not limited to proprietary literary works of the China Literature Group and literary works owned by third parties which have been licensed to the China Literature Group for further dissemination)(the “**Authorized Works**”); and we shall display the Authorized Works (and/or promotion pages thereof and/or links thereto) on our online platforms so that the users of our online platforms may be directed to purchase paid subscription services in respect of the Authorized Works.

In return for the abovementioned License, we shall pay the China Literature Group fees in one or a combination of the following methods:

- (a) fixed payment(s), the amount of which shall be determined based on arm's length negotiation between the parties based on factors including but not limited to the following: (i) the scope or amount of the Authorized Works and duration of the License; (ii) nature and popularity of the Authorized Works; (iii) the market price for similar literary works subject to similar licensing terms; (iv) an estimated “benchmark” amount calculated as the projected total income to be generated from the Authorized Works through our online platforms multiplied by a market revenue sharing percentage;

CONNECTED TRANSACTIONS

- (b) revenue sharing between the parties: the amount payable to the China Literature Group shall be determined in accordance with the following formula:

Distributable proceeds x revenue sharing percentage

Distributable proceeds refers to the aggregate revenue generated from users purchasing paid services in respect of the Authorized Works through our online platforms, with certain expenses deducted. The revenue sharing percentage shall be determined based on arm's length negotiation between the parties based on factors including but not limited to (i) the nature and popularity of the Authorized Works; and (ii) the market practice for similar literary works and similar licensing arrangement in the industry, including those our Group and the China Literature Group each has carried out with independent third parties; and

- (c) the "membership method": the amount payable to the China Literature Group shall be determined in accordance with the following formula:

Distributable membership income x revenue sharing percentage

Distributable membership income refers to the total paid membership income received that is attributable to the Authorized Works as displayed on our online platforms, with certain expenses deducted. The amount of membership income attributable to the Authorized Works is calculated based on the number of valid views of the Authorized Works as compared with the number of valid views of all literary works in the members' library. The revenue sharing percentage shall be determined based on arm's length negotiation between the parties based on factors including but not limited to (i) the nature and popularity of the Authorized Works; and (ii) the market practice for similar literary works and similar licensing arrangement in the industry, including those our Group and the China Literature Group each has carried out with independent third parties.

Reasons for the transaction

China Literature is a well-recognized literary platform in China and is one of our licensed premium content wholesale suppliers. Cooperating with China Literature to distribute quality literary content on our Zhihu platforms allows us to continuously and efficiently enrich our licensed premium content portfolio.

Pricing policy

Before entering into any literary content cooperation agreement pursuant to the China Literature Framework Agreement, we will review and compare the proposed Authorized Works and the terms and conditions with those offered by other literary content providers who are independent third parties. The pricing will be agreed by the parties through arm's length negotiations and we will take into account a number of factors, including but not limited to (i)

CONNECTED TRANSACTIONS

the nature and popularity of the Authorized Works; and (ii) the market price or revenue sharing arrangement for similar literary works subject to similar licensing terms. We will only enter into a specific agreement in respect of literary content cooperation with the China Literature Group if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms to us than those offered by other independent third party suppliers who can provide comparable content; and (ii) it is in the best interests of our Company and the Shareholders as a whole.

Historical amounts, annual caps and basis of annual caps

For the years ended December 31, 2019, 2020 and 2021, the aggregate amounts of literary content cooperation purchased from the China Literature Group by us were approximately RMB0.1 million, RMB1.9 million and RMB5.1 million, respectively.

For the years ending December 31, 2022, 2023 and 2024, the relevant annual caps for the literary content cooperation under the China Literature Framework Agreement are expected to be RMB7.5 million, RMB9.0 million and RMB10.8 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the aforesaid historical transaction amounts and the existing agreements between our Group and the China Literature Group; and
- (b) our budget for licensing premium content from China Literature, which is expected to increase by approximately 20% per year for the coming three years, and our strategy for enhancing subscribing member conversion rate.

Our Directors consider that the proposed annual caps are fair and reasonable.

Listing Rules implications

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 0.1% or more but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the literary content cooperation under the China Literature Framework Agreement will be exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

1. Cloud Services and Technical Services

Pursuant to the Tencent Framework Agreement, the Represented Tencent Group will provide cloud services and other cloud-related technical services to us for service fees. Cloud services and other cloud-related technical services include but are not limited to computing and network, cloud servers, cloud database, cloud security, monitoring and management, domain name resolution services, video services, big data and AI and other products and services.

Reasons for the transaction

We require cloud and related technical services as we operate our Zhihu platforms. Tencent is a widely used cloud service provider in China and is one of our cloud service providers. Our cooperation with Tencent had continued for many years and its facilities and service capabilities are well-suited for our business needs. In the interest of maintaining a stable and long-term supply of cloud services and considering the potential costs involved in switching cloud service suppliers, we expect to continue to purchase cloud and technical services from Tencent after the Listing.

Pricing policy

Before entering into any cloud services and technical services agreement pursuant to the Tencent Framework Agreement, we will assess our business needs and compare the terms and conditions, and services proposed by the Represented Tencent Group with those offered by other competent service providers who are independent third parties. The service fee will be reached by the parties through arm's length negotiations based on the fee rates disclosed on the relevant official platforms or websites of the Represented Tencent Group. In addition, we will take into account a number of factors, including but not limited to (i) the quality, reliability and stability of cloud and technical services of different service providers; and (ii) their respective service fee rates. We will only enter into a cloud services and technical services agreement with the Represented Tencent Group if (i) the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third party service providers who can provide comparable services; and (ii) it is in the best interests of our Company and the Shareholders as a whole.

Historical amounts, annual caps and basis of annual caps

For the years ended December 31, 2019, 2020 and 2021, the aggregate amounts cloud services and technical services purchased from the Represented Tencent Group by us were approximately RMB154.3 million, RMB77.3 million and RMB105.8 million, respectively.

For the years ending December 31, 2022, 2023 and 2024, the relevant annual caps for the cloud services and technical services under the Tencent Framework Agreement are expected to be RMB150 million, RMB180 million and RMB216 million, respectively.

CONNECTED TRANSACTIONS

The annual caps were determined taking into account the following key factors:

- (a) the aforesaid historical transaction amounts and the existing agreements between our Group and the Represented Tencent Group; and
- (b) the expected traffic level, content expansion and user engagement growth on our Zhihu platforms which are the drivers of our demand for cloud and technical services. We expect our demand for cloud services from the Represented Tencent Group will grow by approximately 50% from 2021 to 2022, and 20% per year for 2022-2024.

Our Directors consider that the proposed annual caps are fair and reasonable.

Listing Rules implications

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules is expected to exceed 5%, the provision of cloud services and technical services to our Group will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

2. Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements," due to regulatory restrictions on foreign ownership in the PRC, we conduct certain business through our Consolidated Affiliated Entities in the PRC.

We do not hold any controlling equity interests in our Consolidated Affiliated Entities. The Contractual Arrangements among the WFOE, our Consolidated Affiliated Entities and shareholders of our Consolidated Affiliated Entities enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by the WFOE to the Onshore Holdco; (ii) exercise effective control over our Consolidated Affiliated Entities through the Onshore Holdco; and (iii) hold an exclusive option to purchase all or part of the equity interests in the Onshore Holdco when and to the extent permitted by PRC laws.

See the section headed "Contractual Arrangements" for detailed terms of the Contractual Arrangements.

CONNECTED TRANSACTIONS

Listing Rules implications

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” the Consolidated Affiliated Entities will be treated as our Company’s wholly-owned subsidiary, and its directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our Company’s “connected persons.”

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of the Company. The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations. Our Directors also believe that our structure, whereby the financial results of our Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company’s wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by our Consolidated Affiliated Entities and any member of our Group from time to time (including Consolidated Affiliated Entities) (the “**New Intergroup Agreements**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and independent shareholders’ approval requirements.

WAIVERS

1. Partially-exempt continuing connected transactions

In respect of the partially-exempt continuing connected transactions described above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under the Listing Rules.

CONNECTED TRANSACTIONS

2. Cloud services and Technical services under the Tencent Framework Agreement

As the provision of cloud services and technical services contemplated under the Tencent Framework Agreement are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the abovementioned announcement and independent Shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on our Group. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement, independent Shareholders' approval and circular requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules in respect of the said transactions, provided that the total amount of transactions for each of the three years ending December 31, 2024 will not exceed the relevant proposed annual caps as set out in this section. Any material changes to the terms of these continuing connected transactions will be approved by independent shareholders. The independent non-executive Directors and auditors of the Company will review annually whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant framework agreements as disclosed in this section pursuant to Rules 14A.55 to 14A.59 of the Listing Rules. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

3. Contractual Arrangements

In respect of the Contractual Arrangements and New Intergroup Agreements, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement to set annual caps under Rule 14A.53 of the Listing Rules, and (iii) the requirement to limit the term to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Class A Ordinary Shares are listed on the Stock Exchange subject to the following conditions.

No change without independent non-executive Directors' approval

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to the WFOE thereunder) will be made without the approval of our independent non-executive Directors.

No change without independent Shareholders' approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.

CONNECTED TRANSACTIONS

Economic benefits and flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by our Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) our Group's right to control the management and operation of, as well as, in substance, a substantial portion of the voting rights of the Consolidated Affiliated Entities.

Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between, on the one hand, our Company and the subsidiaries in which our Company has direct shareholding and, on the other hand, the Consolidated Affiliated Entities, this framework may be renewed and/or reproduced without an announcement, circular, or obtaining the approval of our Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group.

The directors, chief executive or substantial shareholders of any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch company) engaging in a business similar or relating to those of our Group will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

This condition is subject to relevant PRC laws, regulations and approvals. Any such renewed or reproduced agreements will be on substantially the same terms and conditions as the existing Contractual Arrangements.

Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;

CONNECTED TRANSACTIONS

- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report that for the relevant year (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole;
- our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have been approved by our Board, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of 'connected person', our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves), and therefore transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our Consolidated Affiliated Entities will, for so long as our Class A Ordinary Shares are listed on the Stock Exchange, provide our Group's management and our Company's auditors with full access to their relevant records for the purpose of reporting on the connected transactions.

DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; (ii) the proposed annual caps (if any) of the continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

CONNECTED TRANSACTIONS

JOINT SPONSORS' CONFIRMATION

Based on the documentation and data provided by the Company and participation in the due diligence and discussion with the Company, the Joint Sponsors are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in the Company's ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interest of the Company and its Shareholders as a whole; (ii) the proposed annual caps (if any) of the continuing connected transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (iii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company upon the Listing:

Authorized share capital

Number	Description of Shares	Aggregate nominal value of Shares
1,550,000,000	Class A Ordinary Shares of a par value of US\$0.000125 each	US\$193,750.00
<u>50,000,000</u>	Class B Ordinary Shares of a par value of US\$0.000125 each	<u>US\$6,250.00</u>
<u><u>1,600,000,000</u></u>	Total Shares	<u><u>US\$200,000.00</u></u>

Issued, fully paid or credited to be fully paid

The issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment option is not exercised and no further Shares are issued pursuant to the Share Incentive Plans) will be as follows:

Number	Description of Shares	Aggregate nominal value of Shares
306,840,703	Class A Ordinary Share in issue immediately before the completion of the Global Offering	US\$38,355.0879
<u>19,227,592</u>	Class B Ordinary Share immediately before the completion of the Global Offering	<u>US\$2,403.4490</u>
<u><u>326,068,295</u></u>	Total Shares	<u><u>US\$40,758.5369</u></u>

SHARE CAPITAL

Issued and outstanding

The issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment option is not exercised and no further Shares are issued pursuant to the Share Incentive Plans), excluding the 9,323,863 Class A Ordinary Shares (as of the Latest Practicable Date) issued to the Depositary for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the Share Incentive Plans, will be as follows:

Number	Description of Shares	Aggregate nominal value of Shares
297,516,840	Class A Ordinary Share issued and outstanding immediately before the completion of the Global Offering	US\$37,189.6050
<u>19,227,592</u>	Class B Ordinary Share in issue immediately before the completion of the Global Offering	<u>US\$2,403.4490</u>
<u><u>316,744,432</u></u>	Total Shares	<u><u>US\$39,593.0540</u></u>

WEIGHTED VOTING RIGHTS STRUCTURE

The Company has a weighted voting rights structure. Under this structure, the Company's share capital comprises Class A Ordinary Shares and Class B Ordinary Shares; each Class A Ordinary Share entitles the holder to exercise one vote, and each Class B Ordinary Share entitles the holder to exercise ten votes, on any resolution tabled at the Company's general meetings, except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote.

The Reserved Matters are:

- (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment, election or removal of the Company's auditors; and
- (iv) the voluntary liquidation or winding-up of the Company.

SHARE CAPITAL

In addition, Shareholders, including holders of Class A Ordinary Shares, holding not less than 10% of all shares in issue of the Company that carries the right of voting at general meetings (i.e. on a one vote per share basis) are entitled to convene an extraordinary general meeting of the Company and add resolutions to the meeting agenda.

As we are seeking a dual primary listing as an issuer with a WVR Structure, we are subject to: (a) certain shareholder protection measures and governance safeguards under Chapter 8A of the Hong Kong Listing Rules, including Rule 8A.44 of the Hong Kong Listing Rules, which requires our WVR Structure to give force to the requirements of certain rules under Chapter 8A of the Hong Kong Listing Rules by incorporating them into our Articles; and (b) the articles requirements set out in Appendix 3 and Appendix 13 to the Hong Kong Listing Rules (the “**Listing Rules Articles Requirements**”). Our Articles do not currently comply with some of the Listing Rules Articles Requirements, and we undertake to put forth resolutions to amend our Articles to comply with these requirements at the First AGM to be convened before August 31, 2022. For further details, please see “Waivers and Exemptions—Requirements Relating to the Articles of Association of the Company” and the summary of the Articles of Association in Appendix III.

The table below sets out the ownership and voting rights to be held by the WVR Beneficiary upon the completion of the Global Offering:

	Number of Shares	Approximate percentage of issued and outstanding share capital	Approximate percentage of voting rights⁽¹⁾
Class A Ordinary Shares held by the WVR Beneficiary	17,626,986	5.57%	3.60%
Class B Ordinary Shares held by the WVR Beneficiary	19,227,592	6.07%	39.26%
Total	36,854,578	11.64%	42.86%

Notes:

- (1) On the basis that Class A Ordinary Shares entitle the Shareholder to one votes per share and Class B Ordinary Shares entitle the Shareholder to 10 vote per share.

Class B Ordinary Shares may be converted into Class A Ordinary Shares on a one to one ratio. Assuming all the issued and outstanding Class B Ordinary Shares are into Class A Ordinary Shares at the time of the Listing, the Company will issue 19,227,592 Class A Ordinary Shares, representing approximately 6.07% of the then issued and outstanding Class A Ordinary Shares (as enlarged by such Class A Ordinary Shares).

SHARE CAPITAL

The weighted voting rights attached to our Class B Ordinary Shares will cease when the WVR Beneficiary no longer has beneficial ownership of any of our Class B Ordinary Shares, in accordance with Listing Rule 8A.22. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Listing Rule 8A.17, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when the holders of Class B Ordinary Shares have transferred to another person the beneficial ownership of, or economic interest in, all of the Class B Ordinary Shares or the voting rights attached to them, other than in the circumstances permitted by Listing Rule 8A.18;
- (iii) where a vehicle holding Class B Ordinary Shares on behalf of a WVR Beneficiary no longer complies with Listing Rule 8A.18(2); or
- (iv) when all of the Class B Ordinary Shares have been converted to Class A Ordinary Shares.

Save for the weighted voting rights attached to Class B Ordinary Shares, the rights attached to all classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A Ordinary Shares and Class B Ordinary Shares, see “Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company—Articles of Association” in Appendix III for further details.

WVR Beneficiary

Immediately upon the completion of the Global Offering, the WVR Beneficiary will be Mr. Zhou, who will beneficially own an aggregate of 19,227,592 Class B Ordinary Shares and 17,626,986 Class A Ordinary Shares, representing approximately 42.86% of the voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters and approximately 11.64% with respect to shareholder resolutions relating to Reserved Matters. Mr. Zhou holds his interests in our Company through MO Holding Ltd. More than 99% of the interest of MO Holding Ltd is held by South Ridge Global Limited, which is in turn wholly-owned by a trust that was established by Mr. Zhou (as the settlor) for the benefit of Mr. Zhou and his family. The remaining interest of MO Holding Ltd is held by Zhihu Holdings Inc., which is wholly-owned by Mr. Zhou. MO Holding Ltd is wholly owned and wholly controlled by the WVR Beneficiary (including through a trust of which the WVR Beneficiary is a beneficiary and in substance retains an element of control of the trust and any immediate holding companies of, or, if not permitted in the relevant tax jurisdiction, retain a beneficial interest in any and all of the Class B Ordinary Shares held by such trust, and the purpose of which is for personal finance planning purposes).

SHARE CAPITAL

The Company is adopting the WVR structure to enable the WVR Beneficiary to exercise voting control over the Company notwithstanding the WVR Beneficiary does not hold a majority economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control the Company with a view to its long-term prospects and strategy.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighed voting rights structures, in particular that interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to sections headed "Risk Factors—Risks Relating to Our Shares and ADS—Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial."

Each of the Company and Mr. Zhou confirms that there is no encumbrance over any Class B Ordinary Shares as at the date of this prospectus and that no new encumbrance will be created over any Class B Ordinary Shares except otherwise permitted under Chapter 8A of the Listing Rules and the waiver discussed in "Waivers and Exemptions—Dealings in Shares prior to Listing."

Undertakings by the WVR Beneficiary

Pursuant to Rule 8A.43 of the Listing Rules, the WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. On April 8, 2022, Mr. Zhou made an undertaking to the Company (the "**Undertaking**"), that for so long as he is a WVR Beneficiary:

1. he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company or other vehicle, use his best endeavors to procure that such limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18 and 8A.24 of the Listing Rules from time to time in force (the "**Requirements**"); and
2. he shall use his best endeavors to procure that the Company complies with all applicable Requirements.

SHARE CAPITAL

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. The WVR Beneficiary acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their shares. The WVR Beneficiary acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all Shareholders and may be enforced by the Company and/or any Shareholder against the WVR Beneficiary.

The Undertaking shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Stock Exchange; and (ii) the date on which the WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Class A Ordinary Shares currently in issue, in issue in the future, or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meeting and class meeting are required

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; and (iv) sub-divide its shares or any of them into shares of smaller amount. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to any conditions prescribed by the Cayman Companies Act.

See “Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company—Articles of Association—Changes in Share Capital” in Appendix III for further details.

SHARE CAPITAL

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of all of the issued shares of that class or with the sanction of an ordinary resolution passed at a separate meeting of the holders of the shares of that class Present (as defined in the Articles) and voting at such meeting.

See “Summary of the Constitution of the Company and Cayman Islands Company Law—Summary of the Constitution of the Company—Articles of Association—Variation of Rights of Shares” in Appendix III for further details.

Share Incentive Plans

We have adopted the 2012 Plan and the 2022 Plan pursuant to which further Shares may be issued. See the sections headed “Appendix IV Statutory and general information—Share Incentive Schemes” for further details.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Based on information available to our Directors, immediately following the completion of the Global Offering the following persons (other than a Director or chief executive of the Company) will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of substantial shareholder	Capacity/Nature of Interest	Number of Shares immediately before the Global Offering	Approximate percentage of shareholding in each class of share of our Company immediately before the Global Offering ⁽¹⁾	Number of Shares immediately after the Global Offering	Approximate percentage of shareholding in each class of share of our Company after the Global Offering ⁽¹⁾
<i>Class A Ordinary Shares</i>					
Dandelion Investment Limited ⁽²⁾	Beneficial interest	20,457,894	6.88%	20,457,894	6.88%
Image Frame Investment (HK) Limited ⁽²⁾	Beneficial interest	10,617,666	3.57%	10,617,666	3.57%
Sogou Technology Hong Kong Limited ⁽²⁾	Beneficial interest	6,991,039	2.35%	6,991,039	2.35%
Tencent ⁽²⁾	Interest in controlled corporations	38,066,599	12.79%	38,066,599	12.79%
Innovation Works Development Fund.L.P. ⁽³⁾	Beneficial interest	23,011,491	7.73%	17,365,491	5.84%
Innovation Works Holdings Limited ⁽³⁾	Beneficial interest	7,556,558	2.54%	5,702,558	1.92%
Qiming Venture Partners III, L.P. ⁽⁴⁾	Beneficial interest	21,522,109	7.23%	18,851,909	6.34%
Qiming Venture Partners III Annex Fund, L.P. ⁽⁴⁾	Beneficial interest	3,995,229	1.34%	3,499,629	1.18%
Qiming Managing Directors Fund III, L.P. ⁽⁴⁾	Beneficial interest	678,260	0.23%	594,060	0.20%
Qiming Corporate GP III, Ltd. ⁽⁴⁾	Interest in controlled corporations	26,195,598	8.80%	22,945,598	7.71%
SAIF IV Mobile Apps (BVI) Limited ⁽⁵⁾	Beneficial interest	21,282,465	7.15%	18,032,465	6.06%
Cosmic Blue Investments Limited ⁽⁶⁾	Beneficial interest	19,975,733	6.71%	19,975,733	6.71%
CTG Evergreen Investment XX Limited ⁽⁷⁾	Beneficial interest	15,331,935	5.15%	3,331,935	1.12%
MO Holding Ltd ⁽⁸⁾	Beneficial interest	17,626,986	5.92%	17,626,986	5.92%
<i>Class B Ordinary Shares</i>					
MO Holding Ltd ⁽⁸⁾	Beneficial interest	19,227,592	100%	19,227,592	100%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The table assumes (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised and no Shares are issued under the Share Incentive Plans, (iii) no Class B Ordinary Shares are converted into Class A Ordinary Shares, and (iv) excludes the 9,323,863 Class A Ordinary Shares (as of the Latest Practicable Date) issued to the Depository for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the Share Incentive Plans.
- (2) Dandelion Investment Limited, a company incorporated in the British Virgin Islands, Image Frame Investment (HK) Limited, a company incorporated in Hong Kong, and Sogou Technology Hong Kong Limited, a company incorporated in Hong Kong, are subsidiaries of Tencent (HKEX: 700).
- (3) Innovation Works Development Fund, L.P., a fund organized under the laws of the Cayman Islands. The general partner of Innovation Works Development Fund, L.P. is Innovation Works Development Fund GP, L.P., whose general partner is Innovation Works Development Fund GP, LLC. Innovation Works Development Fund GP, LLC is beneficially owned by Peter Liu and Kai-Fu Lee. Innovation Works Holdings Limited, a company incorporated in the British Virgin Islands, is wholly owned by Kai-Fu Lee.
- (4) Qiming Venture Partners III, L.P., Qiming Managing Directors Fund III, L.P., and Qiming Venture Partners III Annex Fund, L.P. are exempted limited partnerships organized under the laws of the Cayman Islands and are beneficially owned by Qiming Corporate GP III, Ltd., an exempted company incorporated in the Cayman Islands.
- (5) SAIF IV Mobile Apps (BVI) Limited, a company incorporated in the British Virgin Islands, is wholly owned by SAIF Partners IV L.P., which is ultimately controlled by Mr. Andrew Y. Yan, the managing partner of SAIF Partners.
- (6) Cosmic Blue Investments Limited, a company incorporated in the British Virgin Islands, is wholly owned by Kuaishou Technology (HKEX: 1024).
- (7) CTG Evergreen Investment XX Limited is a company incorporated in the British Virgin Islands and is wholly owned by Capital Today Evergreen Fund, L.P., whose general partner is Capital Today Evergreen GenPar LTD. Capital Today Evergreen GenPar LTD. is wholly owned by Ms. Xin Xu.
- (8) MO Holding Ltd is a company incorporated in the British Virgin Islands. More than 99% of the interest of MO Holding Ltd is held by South Ridge Global Limited, which is in turn wholly-owned by a trust that was established by Mr. Zhou (as the settlor) for the benefit of Mr. Zhou and his family. The remaining interest of MO Holding Ltd is held by Zhihu Holdings Inc., which is wholly-owned by Mr. Zhou.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

The below table sets out the shareholding and voting rights at general meetings of our Company (except for resolutions with respect to a limited number of Reserved Matters) of our major shareholders immediately before and immediately following the completion of the Global Offering.

SUBSTANTIAL SHAREHOLDERS

Name of major shareholder	Class B Ordinary Shares	Class A Ordinary Shares immediately before the completion of the Global Offering	Approximate percentage of shareholding immediately before the completion of the Global Offering ⁽¹⁾	Approximate percentage of voting rights immediately before the completion of the Global Offering ⁽¹⁾	Class A Ordinary Shares immediately after the completion of the Global Offering	Approximate percentage of shareholding immediately following the completion of the Global Offering ⁽¹⁾	Approximate percentage of voting rights immediately following the completion of the Global Offering ⁽¹⁾
Dandelion Investment Limited ⁽²⁾	—	20,457,894	6.46%	4.18%	20,457,894	6.46%	4.18%
Image Frame Investment (HK) Limited ⁽²⁾	—	10,617,666	3.35%	2.17%	10,617,666	3.35%	2.17%
Sogou Technology Hong Kong Limited ⁽²⁾	—	6,991,039	2.21%	1.43%	6,991,039	2.21%	1.43%
Innovation Works Development Fund.L.P. ⁽³⁾	—	23,011,491	7.27%	4.70%	17,365,491	5.48%	3.55%
Innovation Works Holdings Limited ⁽³⁾	—	7,556,558	2.39%	1.54%	5,702,558	1.80%	1.16%
Qiming Venture Partners III, L.P. ⁽⁴⁾	—	21,522,109	6.79%	4.39%	18,851,909	5.95%	3.85%
Qiming Venture Partners III Annex Fund, L.P. ⁽⁴⁾	—	3,995,229	1.26%	0.82%	3,499,629	1.10%	0.71%
Qiming Managing Directors Fund III, L.P. ⁽⁴⁾	—	678,260	0.21%	0.14%	594,060	0.19%	0.12%
SAIF IV Mobile Apps (BVI) Limited ⁽⁵⁾	—	21,282,465	6.72%	4.35%	18,032,465	5.69%	3.68%
Cosmic Blue Investments Limited ⁽⁶⁾	—	19,975,733	6.31%	4.08%	19,975,733	6.31%	4.08%
CTG Evergreen Investment XX Limited ⁽⁷⁾	—	15,331,935	4.84%	3.13%	3,331,935	1.05%	0.68%
MO Holding Ltd ⁽⁸⁾	19,227,592	17,626,986	11.64%	42.86%	17,626,986	11.64%	42.86%

Notes (1)-(9): See Notes (1)-(9) to the above table on the immediately preceding page.

Assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised, (iii) no Class B Ordinary Shares are converted into Class A Ordinary Shares, (iv) the 9,323,863 Class A Ordinary Shares (as of the Latest Practicable Date) issued to the Depository for bulk issuance of ADSs have been used to satisfy the issue of ADSs upon the exercise or vesting of awards granted under the Share Incentive Plans (assuming the vesting conditions of such awards have been met as of the time of the Listing), and (v) 1,873,356 (as of the Latest Practicable Date) Class A Ordinary Shares have been issued pursuant to the exercise or vesting of outstanding awards granted under the Share Incentive Plans that are not covered by the bulk issuance Shares mentioned in (iv) above (assuming the vesting conditions of such awards have been met as of the time of the Listing), the shareholding of Mr. Zhou, our WVR Beneficiary, will represent approximately 11.24% equity interest in our Company and approximately 41.90% of the voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of eight Directors, comprising three executive Directors, two non-executive Director and three independent non-executive Directors. The following table provides certain information about the Directors:

Name	Age	Position and Responsibility	Date of joining the Group	Date of appointment as a Director
ZHOU Yuan (周源)	41	Executive Director, Chairman, Chief Executive Officer and Founder, in charge of the overall strategy, product design, business development and management of our Group	May 2011	May 17, 2011
LI Dahai (李大海)	41	Executive Director and Chief Technology Officer, in charge of technology research and development of our Group	December 2015	March 25, 2021
SUN Wei (孫偉)	43	Executive Director and Chief Financial Officer, in charge of accounting and internal control functions and the investing and financing activities of our Group	November 2018	March 25, 2021
LI Zhaohui (李朝暉)	46	Non-executive Director	September 2015	September 21, 2015
PENG Jiatong (彭佳瞳)	37	Non-executive Director	November 2020	November 30, 2020
SUN Hanhui Sam (孫含暉)	49	Independent non-executive Director ⁽¹⁾	March 2021	March 25, 2021
NI Hong (also known as Hope Ni) (倪虹)	49	Independent non-executive Director ⁽¹⁾	March 2021	March 25, 2021
CHEN Derek	46	Independent non-executive Director ⁽²⁾	Date of this prospectus	Date of this prospectus

Notes:

- (1) Mr. Sun and Ms. Ni are our independent directors under applicable U.S. regulations and are also independent non-executive directors for the purpose of the Hong Kong Listing Rules. We have determined that Mr. Sun qualifies as an “audit committee financial expert” under the applicable rules of the SEC and has the appropriate professional accounting or financial management experience.
- (2) The appointment of Mr. Chen as an independent non-executive Director will take effect from the date of this prospectus.

Save as disclosed below, none of the Directors had held any directorships in listed companies during the three years immediately prior to the Latest Practicable Date, there is no other information in respect of the Directors to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of Shareholders or potential investors.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yuan Zhou (周源), aged 41, is an executive Director and our Founder, and has served as the Chairman of the Board and the Chief Executive Officer of our Company since our inception. Mr. Zhou is responsible for the overall strategy, product design, business development and management of our Group. Mr. Zhou is an entrepreneur with over 15 years of experience in internet and media. He has a deep passion and outstanding acumen and vision for China's internet content industry. Prior to founding our Company, Mr. Zhou founded Beijing Nuobote Informational Technology Co., Ltd., a start-up company that focused on the development of big data analytics for e-commerce businesses, in October 2008 and led the business from October 2008 to November 2010. Before that, Mr. Zhou worked as a journalist for the IT Management World magazine from June 2006 to December 2007. Mr. Zhou received a bachelor's degree in computer science and technology from Chengdu University of Technology in China in June 2003 and a master's degree in software engineering from Southeast University in China in March 2006.

Mr. Dahai Li (李大海), aged 41, is an executive Director and has served as our Chief Technology Officer since May 2018. Mr. Li served as our senior vice president from December 2015 to April 2018. Mr. Li oversees the technology research and development of our Group. Prior to joining us, Mr. Li served in several positions, including the head of search technology, at Wandoujia, a leading app store in China, from August 2013 to December 2015. Prior to that, Mr. Li served as the engineering director at YunYun, a search engine company in China, from August 2010 to August 2013. From June 2007 to September 2010, Mr. Li served as an engineer at Google China, focusing on search engine. Mr. Li received a bachelor's degree in mathematics and applied mathematics from Beijing University of Chemical Technology in China in July 2003 and a master's degree in mathematics from Peking University in July 2006.

Mr. Wei Sun (孫偉), aged 43, is an executive Director and has served as our Chief Financial Officer since November 2018. Mr. Sun oversees the accounting and internal control functions and the investing and financing activities of our Group. Before joining us, Mr. Sun acted as a founding managing partner of Bochuang Capital in 2018. Prior to that, Mr. Sun served as the chief financial officer of Mia.com, an online retail platform for maternal and baby products, from September 2014 to April 2018. Prior to that, Mr. Sun successively worked for the set-up of a private equity fund and served as a director at Daiwa Capital Markets Hong Kong Limited. From April 2010 to October 2012, Mr. Sun worked as a senior vice president of ICBC International Capital Limited. From June 2006 to December 2009, Mr. Sun worked as a senior associate at Deutsche Bank, Hong Kong Branch. Mr. Sun worked with the Industrial and Commercial Bank of China from 2001 to 2003. Mr. Sun received a bachelor's degree in economics from Xi'an Jiaotong University in China in July 2001, a master's degree in finance from London Business School in June 2005, and an Executive MBA degree from China Europe International Business School in August 2019.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Zhaohui Li (李朝暉), aged 46, is a non-executive Director of the Company. Mr. Li has served as our Director since September 2015. Mr. Li joined Tencent in 2011 and has worked there as the vice president and head of mergers and acquisitions department, and as the managing partner of Tencent Investment. Before joining Tencent, Mr. Li served as an investment principal at Bertelsmann Asia Investment from September 2008 to May 2010. Prior to that, Mr. Li held various positions related to product and business in Google and Nokia. Mr. Li received a bachelor's degree in economics from Peking University in July 1998 and an MBA degree from Duke University Fuqua School of Business in May 2004.

Mr. Jiatong Peng (彭佳瞳), aged 37, is a non-executive Director of the Company. Mr. Peng has served as our Director since November 2020. Since April 2020, Mr. Peng has served as a vice president at Kuaishou Technology (HKEX: 1024), a content community and social platform. From June 2018 to April 2020, Mr. Peng served as vice president at 58.com Inc. (NYSE: WUBA). Prior to that, Mr. Peng served as a director and a senior vice president at Beijing Jingxi Culture & Tourism Co., Ltd. (Shenzhen Stock Exchange: 000802), a film and television entertainment media company, from September 2015 to June 2018. From May 2011 to July 2015, Mr. Peng served as a vice president at SAIF Partners, a private equity firm. From May 2007 to May 2011, Mr. Peng worked as an associate at Bank of America Merrill Lynch. Mr. Peng received a bachelor's degree of science in quantitative finance from the Chinese University of Hong Kong in December 2007. Mr. Peng was qualified as a CFA charter holder in September 2014.

Independent Non-Executive Directors

Mr. Hanhui Sam Sun (孫含暉), aged 49, has served as our independent director since March 2021 and was re-designated as an independent non-executive Director with effect from date of this prospectus. Mr. Sun has served as the chairman of VSP Zhuhai Asset Management Company since January 2021. From January 2010 to September 2015, Mr. Sun assumed various positions at Qunar Cayman Islands Limited, a mobile and online travel platform then listed on Nasdaq (Nasdaq: QUNR), including serving as Qunar's president from May 2015 to September 2015 and its chief financial officer from January 2010 to April 2015. Prior to joining Qunar, Mr. Sun was the chief financial officer of KongZhong Corporation, an online game developer and operator then listed on Nasdaq (former Nasdaq ticker: KZ), from February 2007 to February 2009. Mr. Sun was also an independent director and audit committee member of KongZhong Corporation from July 2005 through January 2007. Prior to that, Mr. Sun successively worked in KPMG, Microsoft China R&D Group, Maersk China Co. Ltd. and SouFun.com. Mr. Sun has served as an independent director, chairman of the audit committee and a member of the compensation committee of iQIYI Inc. (Nasdaq: IQ) since March 2018; and an independent director, chairman of the audit committee, chairman of the compensation committee and a member of the nominating and corporate governance committee of Yiren Digital Ltd. (NYSE: YRD) since December 2015. From August 2014 to July 2021, Mr. Sun served as an independent non-executive director, chairman of the audit and compliance committee and a member of the nomination committee of CAR Inc. (delisted from the Stock

DIRECTORS AND SENIOR MANAGEMENT

Exchange in July 2021; former HKEX stock code: 0699). From March 2018 to July 2019, Mr. Sun served as an independent director and chairman of the audit committee of Sunlands Technology Group (formerly known as Sunlands Online Education Group; NYSE: STG). From September 2010 to May 2019, Mr. Sun served as an independent director and the chairman of the audit committee of Fang Holdings Limited (formerly known as “SouFun Holdings Limited”; NYSE: SFUN). Mr. Sun accumulated extensive corporate governance knowledge and experience through his senior management roles and directorships described above. Mr. Sun received a bachelor’s degree in business administration from Beijing Institute of Technology in July 1993. He was qualified as a Certified Public Accountant in China in April 1998.

Ms. Hong Ni (倪虹), also known as Hope Ni, aged 49, has served as our independent director since March 2021 and was re-designated as an independent non-executive Director with effect from date of this prospectus. Ms. Ni has served as an independent non-executive director of Acotec Scientific Holdings Limited (HKEX stock code: 6669) since August 2021, a non-executive director of Cogobuy Group (HKEX: 0400) since June 2020, and prior to that, she served as an executive director from March 2015 to June 2020. Ms. Ni has served as an independent director of Digital China Holdings Limited (HKEX: 0861) since September 2010, UCLOUDLINK GROUP INC. (Nasdaq: UCL) since June 2020, and ATA Creativity Global (Nasdaq: AACG) (including its predecessor) since January 2008. Prior to that, Ms. Ni served as a practicing attorney at Skadden, Arps, Slate, Meagher & Flom LLP from 1998 to 2004 in New York and Hong Kong. Earlier in her career, Ms. Ni worked at Merrill Lynch’s investment banking division in New York. Ms. Ni accumulated extensive corporate governance knowledge and experience through her senior management roles and directorships described above. Ms. Ni received a J.D. degree from University of Pennsylvania Law School in May 1998 and a bachelor’s degree in applied economics and business management from Cornell University in May 1994.

Mr. Derek Chen, aged 46, has been appointed as an independent non-executive Director with effect from the date of this prospectus. Mr. Chen has significant experience in the private equity and fintech industries. He was a partner of TPG Capital (Beijing) Limited from September 2013 to 2019 and was responsible for Growth Equity investments in China. Prior to joining TPG Capital (Beijing) Limited, Mr. Chen worked at SAIF (Beijing) Advisors Ltd. from March 2004 with a focus on private equity and capital market investments, and he was a principal of the firm when he left in September 2009. He was a non-executive director of VCREDIT Holdings Limited (HKEX: 2003) from March 2018 to October 2019, and has been re-appointed as an independent non-executive director since December 2021. Mr. Chen accumulated extensive corporate governance knowledge and experience through his senior management roles and directorships described above. Mr. Chen received a master’s degree in business administration from Columbia Business School in 2001.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company:

Name	Age	Position and Responsibility	Date of joining the Group
ZHOU Yuan (周源)	41	Executive Director, Chairman, Chief Executive Officer and Founder, in charge of the overall strategy, product design, business development and management of our Group	May 2011
LI Dahai (李大海)	41	Executive Director and Chief Technology Officer, in charge of technology research and development of our Group	December 2015
SUN Wei (孫偉)	43	Executive Director and Chief Financial Officer, in charge of accounting and internal control functions and the investing and financing activities of our Group	November 2018

Mr. Yuan Zhou (周源), aged 41, is our Founder, an executive Director, Chairman of the Board and the Chief Executive Officer of our Company. For further details, please see the paragraphs headed “—Executive Directors” in this section.

Mr. Dahai Li (李大海), aged 41, is an executive Director and the Chief Technology Officer of our Company. For further details, please see the paragraphs headed “—Executive Directors” in this section.

Mr. Wei Sun (孫偉), aged 43, is an executive Director and the Chief Financial Officer of our Company. For further details, please see the paragraphs headed “—Executive Directors” in this section.

JOINT COMPANY SECRETARIES

Mr. Peng Qi (祁鵬) has been appointed as our joint company secretary with effect from December 15, 2021. Mr. Qi joined our Group in August 2020 as our General Counsel. Prior to joining our Group, Mr. Qi worked as a partner, from October 2014 to December 2019, and as an associate, from November 2011 to September 2014, at the Corporate Department of Kirkland & Ellis in its Hong Kong office. From January 2008 to September 2011, Mr. Qi worked as an associate at the Corporate Department of Skadden, Arps, Slate, Meagher & Flom

DIRECTORS AND SENIOR MANAGEMENT

in its Beijing office. Mr. Qi received his bachelor's degree in laws in July 2003 and his corporate law master degree in July 2006 from Tsinghua University. He received his master's degree in laws from the New York University School of Law in May 2007. Mr. Qi was qualified as a legal practitioner in the PRC in 2003, was admitted to the New York State bar in 2008 and was admitted as a solicitor of the High Court of Hong Kong in 2019.

Ms. Yee Wa Lau (劉綺華) has been appointed as our joint company secretary with effect from December 15, 2021. Ms. Lau is an Associate Director of Corporate Services of Tricor Services Limited. Ms. Lau has over 20 years of experience in the corporate secretarial field. Ms. Lau is currently the company secretary of six listed companies on the Main Board of the Hong Kong Stock Exchange, namely, BAIOO Family Interactive Limited (百奧家庭互動有限公司) (stock code: 2100), Meituan (美團) (stock code: 3690), Transmit Entertainment Limited (傳遞娛樂有限公司) (stock code: 1326), Jiayuan International Group Limited (佳源國際控股有限公司) (stock code: 2768), Everest Medicines Limited (雲頂新耀有限公司) (stock code: 1952) and Li Auto Inc. (理想汽車) (stock code: 2015). Ms. Lau is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. She obtained her bachelor's degree in administrative management from University of South Australia in April 2003.

CORPORATE GOVERNANCE

Audit Committee

Our audit committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except for the terms of reference required by paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. However, the charter of our audit committee complies with the rules of NYSE and the rules of the SEC. The primary duties of the audit committee are, among other things, to monitor the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters, review the adequacy of our internal control over financial reporting, and review all related party transactions for potential conflict of interest situations and approving all such transactions. The audit committee comprises three independent non-executive Directors, namely Mr. Hanhui Sam Sun, Ms. Hope Ni and Mr. Derek Chen. Mr. Sun, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Compensation Committee

Our compensation committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except for the terms of reference required by paragraph B.1.2 of the Corporate Governance Code. However, the charter of our compensation committee complies with the rules of NYSE. The primary duties of the compensation committee are to review and make recommendations to the Board of Directors with respect to director compensation, evaluate the performance of our Chief Executive Officer and Chief Financial Officer and review and make recommendations to the

DIRECTORS AND SENIOR MANAGEMENT

Board regarding the terms of their compensation, and review and approve the compensation of our other executive officers and senior management. The compensation committee comprises Mr. Hanhui Sam Sun, Mr. Yuan Zhou and Ms. Hope Ni. Mr. Sun is the chairman of the committee.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee complies with the requirements in respect of nomination committees in the Corporate Governance Code set out in Appendix 14 to the Listing Rules and with the requirements regarding corporate governance committees under Chapter 8A of the Listing Rules.

The primary duties of the nominating and corporate governance committee are, among other things:

- in respect of its nomination functions, to develop and recommend to the Board criteria for board and committee membership, recommend to the Board the persons to be nominated for election as Directors and to each of the Board's committees, and develop and recommend to the Board a set of corporate governance guidelines; and
- in respect of its corporate governance functions, to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structures of the Company.

The nominating and corporate governance committee comprises Mr. Hanhui Sam Sun, Ms. Hope Ni and Mr. Derek Chen. Ms. Ni is the chairwoman of the committee.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the corporate governance function of our nominating and corporate governance committee as set out in its terms of reference includes:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;

DIRECTORS AND SENIOR MANAGEMENT

- (f) to review and monitor whether the Company is operated and managed for the benefit of all of its shareholders;
- (g) to confirm, on an annual basis, that the WVR Beneficiaries have been members of the Company's board of Directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the WVR Beneficiaries have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the board of Directors on any matter where there is a potential conflict of interest between the Company, its subsidiary or consolidated affiliated entity and/or shareholder on one hand and any WVR Beneficiary on the other;
- (j) to review and monitor all risks related to the Company's WVR structure, including connected transactions between the Company and/or its subsidiary or consolidated affiliated entity on one hand and any WVR Beneficiary on the other and make a recommendation to the board of Directors on any such transaction;
- (k) to make a recommendation to the board of Directors as to the appointment or removal of the Compliance Adviser;
- (l) to seek to ensure effective and on-going communication between the Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules; and
- (m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in items (i) to (k) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by our Company for inclusion in our interim and annual reports after Listing will include a summary of the work of the corporate governance committee for the relevant period.

Role of our Independent Non-executive Directors

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in code provisions A.6.2, A.6.7 and A.6.8 of the Corporate Governance Code. The functions of our independent non-executive Directors include:

- (a) to participate in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) to take the lead where potential conflicts of interests arise;

DIRECTORS AND SENIOR MANAGEMENT

- (c) to serve on the audit, compensation, nominating and corporate governance committees and other governance committees, if invited;
- (d) to scrutinize our Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- (e) to give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- (f) to make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- (g) to attend general meetings and developing a balanced understanding of the views of our Shareholders.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, save as disclosed below, we expect to comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules after the Listing.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Yuan Zhou currently performs these two roles. The Board believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole. For further information relating to the Company's corporate governance measures, please see the section headed "Relationship with the Controlling Shareholders—Corporate Governance Measures."

Management Presence

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Since the principal business operations of our Group are conducted in Mainland China, members of our senior management are, and are expected to continue to be, based in Mainland China. Further, as our executive Directors have a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in Mainland China. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see "Waivers and Exemptions—Management Presence in Hong Kong."

Board Diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nominating and corporate governance committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nominating and corporate governance committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

DIRECTORS' REMUNERATION

Our Directors and senior management receive remuneration, including basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme, discretionary bonuses and share-based compensation expenses.

The aggregate amount of remuneration (including basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme, discretionary bonuses and share-based compensation expenses) for our Directors for the years ended December 31, 2019, 2020 and 2021 was approximately RMB8.3 million, RMB27.4 million and RMB319.5 million (including share-based compensation amounting to nil, RMB26.1 million and RMB286.3 million for the same periods respectively, in relation to an one-off grant of options to Mr. Zhou pursuant to the 2012 Plan in 2020), respectively.

The aggregate amount of remuneration (including basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme, discretionary bonuses and share-based compensation expenses) for the five highest paid individuals for the years ended December 31, 2019, 2020 and 2021 was approximately RMB111.5 million, RMB124.3 million and RMB383.8 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2019, 2020 and 2021 by our Company to our Directors. No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

See paragraphs headed “Statutory and General Information—Share Incentive Plans” in Appendix IV for details regarding the incentive plans for our Directors and the senior management.

Grant of CEO Award

On April 8, 2022, our Company granted a share award of 9,621,477 Class A Ordinary Shares (the “**CEO Award Shares**”) to Mr. Zhou (the “**CEO Award**”). The CEO Award was granted to recognize and reward Mr. Zhou’s significant contribution to the Company and to incentivize him to lead the Company to greater business results and to further align his interests with the goals of the Company as well as the interest of the other Shareholders.

In respect of the CEO Award Shares, Mr. Zhou has undertaken and covenanted that, unless and until the performance results targets set by the audit committee of the Board as described below (the “**Performance Targets**”) have been met, (a) he (including any intermediary through which he holds the CEO Award Shares) shall not offer, pledge, sell, contract to sell, lend, or otherwise transfer or dispose of, directly or indirectly, any interest in the CEO Award Shares (“**Lock-up Undertaking**”); and (b) he will cast votes of all of the CEO Award Shares at shareholder meetings of the Company or with respect to written resolution of shareholders of the Company in the manner consistent with the views and suggestions of the Board, which shall be determined in the best interest of the Company; he will abstain from voting if no such view or suggestion is formulated by the Board as a whole (“**Voting Undertaking**”).

The audit committee of the Board shall set the Performance Targets every three fiscal years starting from 2022 (each, a “**Three-Year Period**”). The audit committee will assess whether the Performance Targets for a Three-Year Period are met by the end of the second quarter of the first fiscal year subsequent to the Three-Year Period. If the Performance Targets for a Three-Year Period are not met, the Lock-up Undertaking and the Voting Undertaking will continue to remain in force, and the audit committee shall set the Performance Targets for the next Three-Year Period by the end of the second quarter of the first fiscal year of such Three-Year Period. If the Performance Targets for a Three-Year Period are met, the Lock-up Undertaking and the Voting Undertaking shall terminate immediately.

The 9,621,477 CEO Award Shares represents approximately 3.04% of the issued Shares immediately following the completion of the Global Offering, and approximately 1.96% of the voting rights immediately following the completion of the Global Offering.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance advisor (the “**Compliance Adviser**”) pursuant to Rule 8A.33 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Company deviate from any forecast, estimate or other information in this prospectus;
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules;
- (e) the WVR structure;
- (f) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- (g) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Adviser shall commence on the Listing Date. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance advisor on a permanent basis.

COMPETITION

Each of the Directors confirms that as of the Latest Practicable Date, save as disclosed in this prospectus, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For a detailed description of our future plans, see “Business—Our Strategies.”

USE OF PROCEEDS

We will not receive any of the net proceeds from the Global Offering. The Selling Shareholders will receive all the net proceeds of the Global Offering.

UNDERWRITING

HONG KONG UNDERWRITERS

Credit Suisse (Hong Kong) Limited

J.P. Morgan Securities (Asia Pacific) Limited

China International Capital Corporation Hong Kong Securities Limited

CMB International Capital Limited

CCB International Capital Limited

Haitong International Securities Company Limited

Citrus Securities Limited

UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on April 8, 2022. Pursuant to the Hong Kong Underwriting Agreement, the Selling Shareholders are offering 2,600,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the **GREEN** Application Form at the Public Offer Price.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Class A Ordinary Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may be issued under the Over-allotment Option), and certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters)), the Selling Shareholders and the Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall in their sole discretion be entitled to terminate the Hong Kong Underwriting Agreement, by notice (orally or in writing) to the Company and the Selling Shareholders, with immediate effect, if prior to 8:00 a.m. on the Listing Date:

- (A) there develops, occurs, exists or comes into force:
 - (a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to the Company (each a “**Relevant Jurisdiction**”); or
 - (b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
 - (c) any event or series of events, whether in continuation, or circumstances in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war (whether declared or undeclared), acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak, escalation, mutation or aggravation of diseases, epidemics or pandemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS), COVID-19 and such related/mutated forms, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form), political change, paralysis of government operations, interruption or delay in transportation, other industry action in or directly or indirectly affecting any Relevant Jurisdiction; or

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- (d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, or the London Stock Exchange; or
- (e) any general moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company listed or quoted on a stock exchange or an over-the-counter market or on commercial banking activities in or affecting any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (f) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or (B) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (g) any litigation, or claim, or any legal or regulatory action being threatened or instigated against any member of the Group or any Director; or
- (h) any of the chairman, the chief executive officer or director of the Company vacating his or her office, or any of them being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company; or
- (i) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any member of the Group (including any litigation or claim of any third party being threatened or instigated against any member of the Group); or

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- (j) any order or petition for the involuntary winding up of any member of the Group or arrangement made by any material subsidiary of the Company with its creditors or a scheme of arrangement entered into by any material subsidiary of the Company or any resolution for the winding-up of any material subsidiary of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Group or anything analogous thereto occurring in respect of any material subsidiary of the Company; or
- (k) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Company or any Group Company (as defined in the Hong Kong Underwriting Agreement); or
- (l) any contravention by any member of the Group or any Director of any Law

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters): (A) has or will have a Material Adverse Effect (as defined in the Hong Kong Underwriter Agreement); or (B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or is likely to make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the prospectus, the **GREEN** Application Form, the Formal Notice, the Registration Statement, the Disclosure Package, the Preliminary Prospectus or the Final International Prospectus (as defined in the Hong Kong Underwriter Agreement); or (D) would have or is likely to have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (B) there has come to the notice of the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners, Joint Lead Managers and Hong Kong Underwriters):
 - (a) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement) by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed

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in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

- (b) a suspension or material limitation in trading in the Company's securities on the NYSE; or
- (c) non-compliance of the prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law in any material aspects; or
- (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, not having been disclosed in the prospectus, constitutes a material omission therefrom; or
- (e) any event, act or omission which gives or is likely to give rise to any material liability of the Company or the Selling Shareholders pursuant to the indemnities given by the Company or the Selling Shareholders under the Hong Kong Underwriting Agreement; or
- (f) any material breach of any of the obligations of the Company or the Selling Shareholders under the Hong Kong Underwriting Agreement; or
- (g) any breach of, or any event rendering any of the Warranties (as defined in the Hong Kong Underwriting Agreement) untrue or incorrect or misleading in any respect; or
- (h) any expert, whose consent is required for the issue of the prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Joint Sponsor) prior to the issue of the prospectus; or
- (i) there is any Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement); or
- (j) Admission (as defined in the Hong Kong Underwriting Agreement) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld; or

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- (k) the Company has withdrawn the prospectus or the **GREEN** Application Form or the Global Offering

then the Joint Global Coordinators may (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice orally or in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or form the subject of any agreement to such issue within six months from date on which our Class A Ordinary Shares first commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, except pursuant to the Global Offering, he/it will not (and will procure that the relevant registered holder(s) will not):

- (i) in the period commencing on the date by reference to which disclosure of his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities in respect of which he is shown by this prospectus to be the beneficial owner; and
- (ii) during the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in the immediately preceding paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he would cease to be a Controlling Shareholder of us,

in each case, save as permitted under the Listing Rules.

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Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to us that, within the period commencing on the date by reference to which disclosure of his/its shareholding in us is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any securities beneficially owned by his/its in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of the securities so pledged or charged; and
- (b) when he/it receives indications, either verbal or written, from the pledgee or chargee of any securities that any of the pledged or charged securities will be disposed of, immediately inform us of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters that, for the period commencing on the Price Determination Date and ending on, and including, the date that is six months after the Price Determination Date (the “**Lock-Up Period**”), or such earlier date that the Joint Sponsors (for themselves and on behalf of the Underwriters) consent to in writing, and unless in compliance with the requirements of the Hong Kong Listing Rules, the Company will not, directly or indirectly, take any of the following actions with respect to its Shares or ADSs, or any securities convertible into or exchangeable or exercisable for any of its Shares or ADSs (the “**Lock-Up Securities**”):

- (a) offer, sell, issue, pledge, contract to sell or otherwise dispose of Lock-Up Securities,
- (b) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities,
- (c) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the U.S. Exchange Act; or
- (d) file with the SEC a registration statement under the U.S. Securities Act relating to Lock-Up Securities, other than registration statements on Form S-8 relating to the issuance, vesting, exercise or settlement of equity awards granted or to be granted pursuant to any employee benefit plan described in this document,

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without the prior written consent of the Joint Sponsors, provided, however, that we shall be permitted during the Lock-Up Period to

- (1) sell, or cause to be sold, the Offer Shares to be sold and/or issued hereunder, including, for avoidance of doubt, any Shares to be loaned and sold pursuant to the borrowing arrangement by and among the Stabilizing Manager and the Selling Shareholders, which arrangement is intended to facilitate stabilizing activities in connection with the Global Offering;
- (2) issue Shares or ADSs or the grant of options to purchase Shares, restricted shares, RSUs or any other equity-linked rights issuable under our Share Incentive Plan existing on the date of the Hong Kong Underwriting Agreement, including the effect of one or more bulk issuances of Shares, or ADSs upon deposit of Shares with our depository bank, and delivered to our brokerage accounts existing on the date of the Hong Kong Underwriting Agreement, in contemplation of future issuance under our share incentive disclosed in this document;
- (3) effect any capitalization issue, capital reduction or consolidation or sub-division of the Shares;
- (4) issue securities upon the exercise of an option or a warrant, the vesting of a RSU or the conversion of a security outstanding on the date of the Hong Kong Underwriting Agreement;
- (5) issue any securities by us in connection with our acquisition of one or more businesses, assets, products or technologies, joint ventures, commercial relationships or other strategic corporate transactions, provided that the recipients of such securities execute a lock-up agreement in favor of the Underwriters containing substantially the same obligations as those to be set forth in the International Underwriting Agreement; and
- (6) repurchase securities pursuant to our share repurchase programs existing on the date of the Hong Kong Underwriting Agreement.

Indemnity

Our Company and each of the Selling Shareholders have severally agreed to indemnify the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

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Commission and Expenses and Joint Sponsors' Fee

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) will receive an underwriting commission of 2.00% of the aggregate offer price payable for the Hong Kong Offer Shares offered under the Hong Kong Public Offering (excluding any Hong Kong Offer Shares reallocated to the International Offering). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, if any, the Selling Shareholders will pay an underwriting commission at the rate applicable to the International Offering as set out in the International Underwriting Agreement, and such commission will be paid to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), and no underwriting commission will be paid to the Hong Kong Underwriters for such reallocated Offer Shares. In addition, at the discretion of the Company, the Underwriters may also receive an incentive fee of up to 1.00% of the aggregate offer price in respect of all Offer Shares.

Assuming an indicative offer price of HK\$51.80, the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full, the aggregate commissions and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee of 0.005% per Offer Share, SFC transaction levy of 0.0027% per Offer Share, the FRC transaction levy of 0.00015% per Offer Share, legal and other professional fees and printing and other expenses relating to the Global Offering, payable by the Selling Shareholders and us, are estimated to be approximately HK\$112.8 million, which is subject to adjustment to be agreed by the Company, the Selling Shareholders, the Joint Global Coordinators and other parties.

An aggregate amount of US\$1,200,000 is payable by the Company as sponsor fees to the Joint Sponsors.

Hong Kong Underwriters' Interests in our Company

Save for the obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we and the Selling Shareholders will enter into the International Underwriting Agreement with, among others, the Joint Global Coordinators (on behalf of the International Underwriters). Under the International Underwriting Agreement and subject to the Over-allotment Option, it is expected

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that the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure purchasers for, or to purchase, the International Offer Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offer Shares. Please refer to “Structure of the Global Offering—The International Offering” for details.

Over-allotment Option

The Over-allotment Shareholders expect to grant to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to sell up to 3,900,000 Offer Shares by the Company, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

RESTRICTIONS ON OFFERS AND SALES OF CLASS A ORDINARY SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers for the Offer Shares described in this prospectus and the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares (except for a registration of Class A ordinary shares on a shelf registration statement on Form F-3 and a preliminary prospectus supplement filed with the SEC) or the distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus and/or the **GREEN** Application Form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the **GREEN** Application Form and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

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The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Class A Ordinary Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Class A Ordinary Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Class A Ordinary Shares (which financing may be secured by the Class A Ordinary Shares) in the Global Offering, proprietary trading in the Class A Ordinary Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Class A Ordinary Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Class A Ordinary Shares, which may have a negative impact on the trading price of the Class A Ordinary Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Class A Ordinary Shares, in baskets of securities or indices including the Class A Ordinary Shares, in units of funds that may purchase the Class A Ordinary Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Class A Ordinary Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Class A Ordinary Shares in most cases.

Such activities may affect the market price or value of the Class A Ordinary Shares, the liquidity or trading volume in the Class A Ordinary Shares and the volatility of the price of the Class A Ordinary Shares, and the extent to which this occurs from day to day cannot be estimated.

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It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

LOCK UP

Undertakings by the Selling Shareholders of the Company

Each of the Selling Shareholders (the “**Relevant Selling Shareholder**”) has entered into a deed of lock-up undertaking (the “**Undertaking**”), pursuant to which, during the period commencing on the Listing Date and ending on the date which is the 120 days from the Listing Date (the “**Restricted Period**”), the Relevant Selling Shareholder will not, and will cause its affiliates, nominee, trustee holding in trust for the Relevant Selling Shareholder (where applicable) not to, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Underwriters), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any ADSs or ordinary shares beneficially owned (as such term is used in Rule 13d-3 of the Exchange Act), by the Relevant Selling Shareholder or any other securities convertible into or exercisable or exchangeable for ADSs or ordinary shares (including without limitation, any such ADSs, ordinary shares or such other securities which may be deemed to be beneficially owned by the Relevant Selling Shareholder and securities that may be issued upon exercise of a share option or warrant) (collectively with the ADSs and ordinary shares, the “**Restricted Securities**”), (2) enter into any hedging, swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Restricted Securities, whether any such transaction described in clause (1) or (2) above is to be settled by

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delivery of Restricted Securities, in cash or otherwise, (3) make any demand for or exercise any right with respect to the registration of any Restricted Securities, or (4) publicly disclose the intention to do any of the foregoing. Notwithstanding the foregoing, the Relevant Selling Shareholder may:

- (a) transfer its Restricted Securities (i) as a bona fide gift or gifts, or for bona fide estate planning purposes, (ii) by will or intestacy, (iii) to any trust for the direct or indirect benefit of the Relevant Selling Shareholder or the immediate family of the Relevant Selling Shareholder, (iv) if the Relevant Selling Shareholder is a corporation, to its wholly owned subsidiary, (v) by operation of law, such as pursuant to a qualified domestic order, divorce settlement, divorce decree or separation agreement, (vi) to the Company from an employee of the Company upon death, disability or termination of employment, in each case, of such employee, (vii) as part of a sale of the Relevant Selling Shareholder's Restricted Securities in the Global Offering, or pursuant to the stock borrowing agreement for the purpose of facilitating the settlement of over-allocations in connection with the Global Offering, or in open market transactions after the closing date for the Global Offering, or (viii) to the Company in connection with the vesting, settlement, or exercise of restricted share units, options, warrants or other rights to purchase ADSs or ordinary shares (including, in each case, by way of "net" or "cashless" exercise), including for the payment of exercise price and tax and remittance payments due as a result of the vesting, settlement, or exercise of such restricted share units, options, warrants or rights, provided that any such ADSs or ordinary shares received upon such exercise, vesting or settlement shall be subject to the terms of the Undertaking, and provided further that any such restricted share units, options, warrants or rights are held by the Relevant Selling Shareholder pursuant to an agreement or equity awards granted under a share incentive plan or other equity award plan, each such agreement or plan which is described in the registration statement, the pricing disclosure package and this Prospectus;

provided that (A) in the case of any transfer pursuant to clause (i), (ii), (iii), (iv), and (v) above, such transfer shall not involve a disposition for value and each donee, devisee, or transferee shall execute and deliver to the Joint Global Coordinators (for themselves and on behalf of the Underwriters) a lock-up letter in the form of the Undertaking, (B) in the case of any transfer pursuant to clause (a)(i), (ii), (iii), (iv), (vii), and (viii), no filing by any party (donor, donee, devisee, transferor or transferee) under the Exchange Act, or other public announcement shall be required or shall be made voluntarily in connection with such transfer (other than a filing on a Form 5 made after the expiration of the Restricted Period referred to above), and (C) in the case of any transfer pursuant to clause (a)(v) and (vi), it shall be a condition to such transfer that no public filing, report or announcement shall be voluntarily made and if any filing under Section 16(a) of the Exchange Act, or other public filing, report or announcement reporting a reduction in beneficial ownership of ADSs or ordinary shares in connection with such transfer shall be legally required during the Restricted Period, such filing, report or announcement shall clearly indicate in the footnotes thereto the nature and conditions of such transfer;

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- (b) exercise outstanding options, settle restricted share units or other equity awards or exercise warrants pursuant to plans described in the registration statement, the pricing disclosure package and this Prospectus; provided that any Restricted Securities received upon such exercise, vesting or settlement shall be subject to the terms of the Undertaking;
- (c) convert outstanding preferred shares, warrants to acquire preferred shares or convertible securities into ADSs or ordinary shares or warrants to acquire ADSs or ordinary shares; provided that any such ADSs or ordinary shares or warrants received upon such conversion shall be subject to the terms of the Undertaking;
- (d) establish trading plans pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of the Restricted Securities; provided that (1) such plans do not provide for the transfer of Restricted Securities during the Restricted Period and (2) no filing by any party under the Exchange Act or other public announcement shall be required or made voluntarily in connection with such trading plan; and
- (e) sell the ordinary shares by the Relevant Selling Shareholder pursuant to the terms of the Underwriting Agreements, if applicable.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The listing of the Class A Ordinary Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Class A Ordinary Shares in issue, to be issued or issuable as mentioned in this prospectus on the Main Board of the Stock Exchange.

26,000,000 Sale Shares will initially be made available under the Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 2,600,000 Class A Ordinary Shares (subject to reallocation) in Hong Kong as described below in the section headed “—The Hong Kong Public Offering”; and
- (b) the International Offering of initially 23,400,000 Class A Ordinary Shares (subject to reallocation and the Over-allotment Option) pursuant to the shelf registration statement on Form F-3 that was filed with the SEC and became effective on April 8, 2022, the preliminary prospectus supplement dated April 8, 2022, and the final prospectus supplement to be filed with the SEC on or about April 14, 2022, including the documents incorporated by reference therein.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 8.2% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account the Class A Ordinary Shares to be issued pursuant to the Share Incentive Plans. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 9.4% of the total Shares in issue immediately following the completion of the Global Offering and the full exercise of the Over-allotment Option (without taking into account the Class A Ordinary Shares to be issued pursuant to the Share Incentive Plans).

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Selling Shareholders are initially offering 2,600,000 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering, at the Public Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.8% of our Company's issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised without taking into account the Class A Ordinary Shares to be issued pursuant to the Share Incentive Plans).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “—Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes:

- (a) Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee payable) or less.

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- (b) Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the “subscription price” for Hong Kong Offer Shares means the price payable on application (without regard to the Public Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 1,300,000 Hong Kong Offer Shares (being 50% of the 2,600,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules 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 to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached:

- (i) 2,600,000 Offer Shares are initially available in the Hong Kong Public Offering, representing 10% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or over-subscribed:

- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 7,800,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

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- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 10,400,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 13,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors. Subject to the foregoing paragraph, the Joint Global Coordinators and the Joint Sponsors may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators and the Joint Sponsors have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators and the Joint Sponsors deem appropriate.

In addition, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering. In accordance with the Guidance Letter HKEx-GL91-18 issued by the Hong Kong Stock Exchange, if such allocation is done other than pursuant to Practice Note 18 of the Hong Kong Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 5,200,000 Offer Shares, representing 20% of the total number of Offer Shares initially available under the Global Offering).

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

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Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Hong Kong Public Offering which is expected to be published on Thursday, April 21, 2022.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, HK\$51.80 per Offer Share in addition to the brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Public Offer Price, as finally determined in the manner described in the section headed “—Pricing and Allocation” below, is less than the maximum price of HK\$51.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 23,400,000, representing 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 7.4% of our Company's issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised without taking into account the Class A Ordinary Shares to be issued pursuant to the Share Incentive Plans.

Allocation

The International Offering includes the U.S. offering of the Offer Shares in the United States as well as the non-U.S. offering to institutional and professional investors and other investors in jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves

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dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, Class A Ordinary Shares, after the listing. Such allocation is intended to result in a distribution of the Class A Ordinary Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators (for themselves and on behalf of the Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be sold pursuant to the International Offering may change as a result of the clawback arrangement described in the section headed “—The Hong Kong Public Offering—Reallocation” above, the exercise of the Over-allotment Option in whole or in part described in the section headed “—Over-allotment Option,” and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Joint Global Coordinators.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that the Over-allotment Shareholders will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the effective date of the International Underwriting Agreement to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require the Over-allotment Shareholders to sell up to 3,900,000 Class A Ordinary Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the International Offer Price under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

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If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.2% of the total Shares in issue immediately following the completion of the Global Offering, without taking into account the Class A Ordinary Shares to be issued pursuant to the Share Incentive Plans. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Public Offer Price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Class A Ordinary Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

In addition, stabilization transactions with respect to the ADSs may be effected by one of the Underwriters or its affiliates before and after the listing of the Class A Ordinary Shares on the Stock Exchange in accordance with applicable laws and regulations.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Class A Ordinary Shares, (b) selling or agreeing to sell the Class A Ordinary Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Class A Ordinary Shares, (c) purchasing, or agreeing to purchase, the Class A Ordinary Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Class A Ordinary Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Class A Ordinary Shares, (e) selling or agreeing to sell any Class A Ordinary Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

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Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Class A Ordinary Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Class A Ordinary Shares;
- (d) no stabilizing action can be taken to support the price of the Class A Ordinary Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Saturday, May 14, 2022, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Class A Ordinary Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Class A Ordinary Shares cannot be assured to stay at or above the Public Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Public Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Class A Ordinary Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Class A Ordinary Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Public Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

Stock Borrowing Agreement

To cover any over-allocation of Class A Ordinary Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 3,900,000 Class A Ordinary Shares (being the maximum number of Class A Ordinary Shares which may be issued pursuant to the exercise of the Over-allotment Option) from the

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Over-allotment Shareholders pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or any person acting for it) and the Over-allotment Shareholders on or before the Price Determination Date.

The same number of Class A Ordinary Shares so borrowed must be returned to the Over-allotment Shareholders or their nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full.

The Class A Ordinary Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to the Over-allotment Shareholders by the Stabilizing Manager (or any person acting for it) in relation to such Class A Ordinary Shares borrowing arrangement.

PRICING AND ALLOCATION

Determining the Offer Price

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be agreed on the Price Determination Date, which is expected to be on or about Thursday, April 14, 2022 and in any event no later than Sunday, April 17, 2022, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholders and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Public Offer Price will be determined by reference to, among other factors, the closing price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date, and the Public Offer Price will not be more than HK\$51.80 per Hong Kong Offer Share. The historical prices of our ADSs and trading volume on the NYSE are set out below.

<u>Period⁽¹⁾</u>	<u>High</u>	<u>Low</u>	<u>ADTV</u>
	(US\$)	(US\$)	(ADSs) ⁽²⁾
From March 26, 2021 up to the Latest Practicable Date	13.56	1.44	2,974,998

Note:

- (1) We have not declared or paid any dividends on our ADSs or Shares since our inception and up to the Latest Practicable Date, including the periods presented.
- (2) Average daily trading volume (“ADTV”) represents daily average number of our ADSs traded over the relevant period.

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Applicants under the Hong Kong Public Offering must pay, on application, the maximum Public Offer Price of HK\$51.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% Hong Kong Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%, amounting to a total of HK\$5,232.21 for one board lot of 100 Class A Ordinary Shares.

The International Offer Price may be set at a level higher than the maximum Public Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Public Offer Price as stated in this prospectus and/or (b) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the bookbuilding process.

If the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will the Public Offer Price be set above the maximum Public Offer Price as stated in this prospectus or the International Offer Price.

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company and the Selling Shareholders, reduce the number of Offer Shares offered below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Hong Kong Stock Exchange at ir.zhihu.com and www.hkexnews.hk, respectively, notice of the reduction. Upon the issue of such a notice, the revised number of Offer Shares will be final. If the number of Offer Shares is so reduced, applicants under the Hong Kong Public Offering who have already submitted an application will need to positively confirm their applications and all unconfirmed applications will not be valid.

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Upon the issue of such a notice, the revised number of Offer Shares will be final. If the number of Offer Shares is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced.

Announcement of Offer Price and Basis of Allocations

The final Public Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, April 21, 2022, on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at ir.zhihu.com.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company, the Selling Shareholders and the Joint Global Coordinators, for themselves and on behalf of the Underwriters, agreeing on the Public Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Class A Ordinary Shares to be issued pursuant to the Global Offering (including the additional Class A Ordinary Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Incentive Plans), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

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- (b) the pricing of the Offer Shares having been duly agreed between our Company, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the pricing of the Offer Shares is not agreed between our Company, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Sunday, April 17, 2022, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of Stock Exchange at www.hkexnews.hk and our Company at ir.zhihu.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares—Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Grounds for Termination” in this prospectus has not been exercised.

STRUCTURE OF THE GLOBAL OFFERING

DEALING IN THE CLASS A ORDINARY SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, April 22, 2022, it is expected that dealings in the Class A Ordinary Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, April 22, 2022.

The Class A Ordinary Shares will be traded in board lots of 100 Class A Ordinary Shares and the stock code of the Class A Ordinary Shares will be 2390.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at ir.zhihu.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **White Form eIPO** service at www.eipo.com.hk; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) apply through **CCASS eIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- have a Hong Kong address.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney’s authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Hong Kong Stock Exchange, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our subsidiaries;
- you are our Director or chief executive and/or a director or chief executive officer of our subsidiaries;
- you are a close associate of any of the above persons;
- you are a core connected person of the Company or a person who will become a core connected person of the Company immediately upon completion of the Global Offering; or
- you have been allocated or have applied for or indicated interest in any Offer Share under the International Offering.

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, apply online through the **White Form eIPO** service on the designated website at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Minimum Application Amount and Permitted Numbers

You may apply through the **White Form eIPO** service or give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table. You are required to pay the amount next to the number you select. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
100	5,232.21	2,000	104,644.14	10,000	523,220.67	300,000	15,696,619.89
200	10,464.42	2,500	130,805.17	20,000	1,046,441.32	400,000	20,928,826.52
300	15,696.62	3,000	156,966.20	30,000	1,569,661.99	500,000	26,161,033.15
400	20,928.83	3,500	183,127.24	40,000	2,092,882.65	600,000	31,393,239.78
500	26,161.04	4,000	209,288.26	50,000	2,616,103.32	700,000	36,625,446.41
600	31,393.24	4,500	235,449.30	60,000	3,139,323.98	800,000	41,857,653.04
700	36,625.44	5,000	261,610.33	70,000	3,662,544.64	900,000	47,089,859.67
800	41,857.65	6,000	313,932.40	80,000	4,185,765.31	1,000,000	52,322,066.30
900	47,089.86	7,000	366,254.46	90,000	4,708,985.96	1,100,000	57,554,272.93
1,000	52,322.07	8,000	418,576.53	100,000	5,232,206.63	1,200,000	62,786,479.56
1,500	78,483.11	9,000	470,898.60	200,000	10,464,413.26	1,300,000 ⁽¹⁾	68,018,686.19

(1) Maximum number of Hong Kong Offer Shares you may apply for.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees or affiliates), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus or on the designated website under the **White Form eIPO** service, and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have relied only on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- (vi) agree that none of the Company, the Relevant Persons and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (viii) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company nor the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus or on the designated website under the **White Form eIPO** service;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) warrant that the information you have provided is true and accurate;
- (xiii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xiv) authorize the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instruction and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xv) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and
- (xvii) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. Applying through the White Form eIPO Service

General

Individuals who meet the criteria in the paragraph headed “—2. Who Can Apply” in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated web site at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, April 11, 2022 until 11:30 a.m. on Thursday, April 14, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, April 14, 2022, the last day for applications, or such later time under the paragraph headed “—C. Effect of bad weather and/or Extreme Conditions on the opening and closing of the application lists” in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Commitment to sustainability

The obvious advantage of the **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Zhihu Inc.” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. Applying by giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “*An Operating Guide for Investor Participants*” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instruction** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize the Company to place HKSCC Nominees name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company or the Relevant Persons is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the results of the Hong Kong Public Offering;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Public Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy, by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Public Offer Price is less than the maximum Public Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions¹

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, April 11, 2022—9:00 a.m. to 8:30 p.m.
Tuesday, April 12, 2022—8:00 a.m. to 8:30 p.m.
Wednesday, April 13, 2022—8:00 a.m. to 8:30 p.m.
Thursday, April 14, 2022—8:00 a.m. to 12:00 noon

1. These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, April 11, 2022 until 12:00 noon on Thursday, April 14, 2022 (24 hours daily, except on Thursday, April 14, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, April 14, 2022, the last day for applications or such later time as described in the paragraph headed “—C. Effect of bad weather and/or Extreme Conditions on the opening and closing of the application lists” in this section.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

With regard to the section headed “Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS” in the announcement of results of allocations to be issued by the Company, the list of identification document number(s) is not a complete list of successful applicants, only successful applicants whose identification document numbers are provided by CCASS are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- maintaining or updating the register of members of the Company;
- verifying identities of the holders of the Class A Ordinary Shares;
- establishing benefit entitlements of holders of the Class A Ordinary Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Class A Ordinary Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Class A Ordinary Shares and/or regulators and/or any other purposes to which the holders of the Shares may from time to time agree.

Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic applications. The Company, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through the **CCASS eIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to the CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, April 14, 2022.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Public Offer Price is HK\$51.80 per Offer Share. You must pay the maximum Public Offer Price, brokerage of 1%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.005% and the FRC transaction levy of 0.00015%, in full upon application for the Hong Kong Offer Shares under the terms set out in the paragraph “—Minimum Application Amount and Permitted Numbers” in this section. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$5,232.21.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the paragraph “—Minimum Application Amount and Permitted Numbers” in this section, or as otherwise specified on the designated website at www.eipo.com.hk.

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If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy will be paid to the Stock Exchange (in the case of the SFC transaction levy and the FRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the FRC respectively).

For further details on the Public Offer Price, see the section headed “Structure of the Global Offering—Pricing and Allocation” in this prospectus.

C. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, April 14, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, April 14, 2022 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

D. PUBLICATION OF RESULTS

The Company expects to announce the pricing of the Offer Shares on Thursday, April 14, 2022 on the Company’s website at ir.zhihu.com and the website of the Stock Exchange at www.hkexnews.hk.

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Thursday, April 21, 2022 on the Company’s website at ir.zhihu.com and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at ir.zhihu.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, April 21, 2022;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, April 21, 2022 to 12:00 midnight on Wednesday, April 27, 2022;
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Thursday, April 21, 2022, to Tuesday, April 26, 2022 (excluding Saturday, Sunday or public holiday in Hong Kong).

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

- (i) If your application is revoked:

By applying through giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- (ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

- (iii) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Class A Ordinary Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

- (iv) If:

- you make multiple applications or suspected multiple applications;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Public Offer Price as finally determined is less than the maximum Public Offer Price of HK\$51.80 per Offer Share (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy, thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed “Structure of the Global Offering—Conditions of the Hong Kong Public Offering” in this prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Thursday, April 21, 2022.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Thursday, April 21, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, April 22, 2022, **provided that** the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Class A Ordinary Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 1,000,000 or more Hong Kong Offer Shares through the **White Form eIPO** service, and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, April 21, 2022, or such other place or date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, April 21, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, April 21, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offering in the manner specified in the paragraph headed “—D. Publication of Results” in this section on Thursday, April 21, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, April 21, 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, April 21, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Public Offer Price and the maximum Public Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, April 21, 2022.

H. ADMISSION OF THE CLASS A ORDINARY SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Class A Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Settlement Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Class A Ordinary Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHIHU INC. AND CREDIT SUISSE (HONG KONG) LIMITED, J.P. MORGAN SECURITIES (FAR EAST) LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Zhihu Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-87, which comprises the consolidated balance sheets as of December 31, 2019, 2020 and 2021, the company balance sheets as of December 31, 2019, 2020 and 2021, the consolidated statements of operations and comprehensive loss, the consolidated statements of changes in shareholders' (deficit)/equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-87 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated April 11, 2022 (the "Prospectus") in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note II.2(a) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note II.2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as of December 31, 2019, 2020 and 2021 and the consolidated financial position of the Group as of December 31, 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation set out in Note II.2(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note II.2(ab) to the Historical Financial Information which states that no dividends have been paid by Zhihu Inc. in respect of the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
April 11, 2022

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on previously issued consolidated financial statements of the Group for the years ended December 31, 2019, 2020 and 2021 ("Historical Financial Statements"). The previously issued consolidated financial statements of the Group were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The previously issued consolidated financial statements of the Group for the years ended December 31, 2019, 2020 and 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and were published on the website of the Securities and Exchange Commission of the United States pursuant to the regulatory requirement as set out in Rule 101(a) of Regulation S-T.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data)

	<i>Note</i>	As of December 31,		
		2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
ASSETS				
Current assets:				
Cash and cash equivalents	2(f)	900,350	957,820	2,157,161
Term deposits	2(g)	1,151,073	1,092,921	2,815,509
Short-term investments	6	1,492,180	1,046,000	2,239,596
Trade receivables	4	245,943	486,046	831,628
Amounts due from related parties	20	5,931	13,843	18,196
Prepayments and other current assets	5	106,475	123,536	272,075
Total current assets		3,901,952	3,720,166	8,334,165
Non-current assets:				
Property and equipment, net	7	14,571	8,105	9,865
Intangible assets, net	8	34,935	23,478	68,308
Goodwill	9	–	–	73,663
Long-term investments		–	–	19,127
Term deposits		–	–	159,393
Right-of-use assets	10	25,985	3,241	126,512
Other non-current assets		6,863	6,451	14,132
Total non-current assets		82,354	41,275	471,000
Total assets		3,984,306	3,761,441	8,805,165

**LIABILITIES, MEZZANINE EQUITY
AND SHAREHOLDERS'
(DEFICIT)/EQUITY**

Current liabilities (including amounts of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiaries of RMB92,699 and RMB152,482 and RMB295,911 as of December 31, 2019, 2020 and 2021, respectively):

Accounts payable and accrued liabilities	12	287,041	501,848	1,026,534
Salary and welfare payables	2(t)	206,840	231,847	313,676
Taxes payable	11	7,046	7,066	66,184
Contract liabilities	14	107,128	159,995	239,757
Amounts due to related parties	20	96,185	45,983	83,591

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019, 2020 AND 2021
(CONTINUED)

(All amounts in thousands, except for share and per share data)

	Note	As of December 31,		
		2019	2020	2021
		RMB	RMB	RMB
Short-term lease liabilities	10	22,747	2,893	40,525
Other current liabilities	13	36,053	64,936	127,447
Total current liabilities		763,040	1,014,568	1,897,714
Non-current liabilities (including amounts of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiaries of nil, nil and RMB26,158 as of December 31, 2019, 2020 and 2021, respectively)				
Long-term lease liabilities	10	2,893	–	82,133
Deferred tax liabilities		–	–	14,030
Other non-current liabilities		–	–	73,139
Total non-current liabilities		2,893	–	169,302
Total liabilities		765,933	1,014,568	2,067,016
Commitments and contingencies				
Mezzanine equity:				
Series A convertible redeemable preferred shares (US\$0.000125 par value; 36,009,602, 36,009,602 and nil shares authorized, issued and outstanding with redemption value of RMB89,551, RMB89,551 and nil as of December 31, 2019, 2020 and 2021, respectively)	16	89,551	89,551	–
Series B convertible redeemable preferred shares (US\$0.000125 par value; 25,164,697, 25,164,697 and nil shares authorized, issued and outstanding with redemption value of RMB220,403, RMB220,403 and nil as of December 31, 2019, 2020 and 2021, respectively)	16	220,403	220,403	–

**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019, 2020 AND 2021
(CONTINUED)**

(All amounts in thousands, except for share and per share data)

	<i>Note</i>	As of December 31,		
		2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Series C convertible redeemable preferred shares (US\$0.000125 par value; 27,935,316, 27,935,316 and nil shares authorized, issued and outstanding with redemption value of RMB541,781, RMB556,552 and nil as of December 31, 2019, 2020 and 2021, respectively)	16	541,781	556,552	–
Series D convertible redeemable preferred shares (US\$0.000125 par value; 22,334,525, 22,334,525 and nil shares authorized, issued and outstanding with redemption value of RMB892,885, RMB943,841 and nil as of December 31, 2019, 2020 and 2021, respectively)	16	892,885	943,841	–
Series D1 convertible redeemable preferred shares (US\$0.000125 par value; 6,947,330, 6,947,330 and nil shares authorized, issued and outstanding with redemption value of RMB296,256, RMB315,239 and nil as of December 31, 2019, 2020 and 2021, respectively)	16	296,256	315,239	–
Series E convertible redeemable preferred shares (US\$0.000125 par value; 27,267,380, 27,267,380 and nil shares authorized, issued and outstanding with redemption value of RMB2,036,695, RMB2,244,966 and nil as of December 31, 2019, 2020 and 2021, respectively)	16	2,036,695	2,244,966	–

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2019, 2020 AND 2021
(CONTINUED)

(All amounts in thousands, except for share and per share data)

	Note	As of December 31,		
		2019	2020	2021
		RMB	RMB	RMB
Series F convertible redeemable preferred shares (US\$0.000125 par value; 34,677,873, 34,677,873 and nil shares authorized, 22,692,433, 34,677,872 and nil shares issued and outstanding with redemption value of RMB3,133,043, RMB3,520,796 and nil as of December 31, 2019, 2020 and 2021, respectively)	16	3,133,043	3,520,796	–
Total mezzanine equity		<u>7,210,614</u>	<u>7,891,348</u>	<u>–</u>
Shareholders' (deficit)/equity:				
Class A Ordinary shares (US\$0.000125 par value, 200,935,685, 200,435,685 and 1,500,000,000 shares authorized as of December 31, 2019, 2020 and 2021, respectively; 40,080,478, 40,080,478 and 279,835,705 shares issued and outstanding as of December 31, 2019, 2020 and 2021, respectively)	15	31	31	226
Class B Ordinary shares (US\$0.000125 par value, 18,727,592, 19,227,592 and 50,000,000 shares authorized as of December 31, 2019, 2020 and 2021 respectively; 18,727,592, 19,227,592 and 19,227,592 shares issued and outstanding as of December 31, 2019, 2020 and 2021, respectively)	15	15	15	15
Additional paid-in capital		–	–	13,350,347
Accumulated other comprehensive loss		(52,602)	(195,928)	(339,118)
Accumulated deficit		<u>(3,939,685)</u>	<u>(4,948,593)</u>	<u>(6,280,816)</u>
Total Zhihu Inc.'s shareholders' (deficit)/equity		<u>(3,992,241)</u>	<u>(5,144,475)</u>	<u>6,730,654</u>
Noncontrolling interests		–	–	7,495
Total shareholders' (deficit)/equity		<u>(3,992,241)</u>	<u>(5,144,475)</u>	<u>6,738,149</u>
Total liabilities, mezzanine equity and shareholders' (deficit)/equity		<u>3,984,306</u>	<u>3,761,441</u>	<u>8,805,165</u>

COMPANY BALANCE SHEETS AS OF DECEMBER 31, 2019, 2020 AND 2021

(All amounts in thousands, except for share and per share data)

	<i>Note</i>	As of December 31,		
		2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
ASSETS				
Current assets:				
Cash and cash equivalents		85,748	6,834	94,427
Term deposits		348,810	–	–
Prepayments and other current assets		10,485	183	42,232
Amounts due from related parties	23	1,041,230	11,530	12,711
Total current assets		<u>1,486,273</u>	<u>18,547</u>	<u>149,370</u>
Non-current assets:				
Investments in subsidiaries and VIEs and VIEs' subsidiaries	1(a)	1,761,067	2,760,778	6,666,713
Total non-current assets		<u>1,761,067</u>	<u>2,760,778</u>	<u>6,666,713</u>
Total assets		<u><u>3,247,340</u></u>	<u><u>2,779,325</u></u>	<u><u>6,816,083</u></u>
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT)/EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		95	5,500	30,828
Amounts due to subsidiaries and VIEs and VIEs' subsidiaries		28,872	26,952	54,601
Total current liabilities		<u>28,967</u>	<u>32,452</u>	<u>85,429</u>
Total liabilities		<u><u>28,967</u></u>	<u><u>32,452</u></u>	<u><u>85,429</u></u>

COMPANY BALANCE SHEETS AS OF DECEMBER 31, 2019, 2020 AND 2021
(CONTINUED)

(All amounts in thousands, except for share and per share data)

	Note	As of December 31,		
		2019	2020	2021
		RMB	RMB	RMB
Mezzanine equity:				
Series A convertible redeemable preferred shares	16	89,551	89,551	–
Series B convertible redeemable preferred shares	16	220,403	220,403	–
Series C convertible redeemable preferred shares	16	541,781	556,552	–
Series D convertible redeemable preferred shares	16	892,885	943,841	–
Series D1 convertible redeemable preferred shares	16	296,256	315,239	–
Series E convertible redeemable preferred shares	16	2,036,695	2,244,966	–
Series F convertible redeemable preferred shares	16	3,133,043	3,520,796	–
Total mezzanine equity		<u>7,210,614</u>	<u>7,891,348</u>	<u>–</u>
Shareholders' (deficit)/equity:				
Class A Ordinary shares	15	31	31	226
Class B Ordinary shares	15	15	15	15
Additional paid-in capital		–	–	13,350,347
Accumulated other comprehensive loss		(52,602)	(195,928)	(339,118)
Accumulated deficit		<u>(3,939,685)</u>	<u>(4,948,593)</u>	<u>(6,280,816)</u>
Total shareholders' (deficit)/equity		<u>(3,992,241)</u>	<u>(5,144,475)</u>	<u>6,730,654</u>
Total liabilities, mezzanine equity and shareholders' (deficit)/equity		<u>3,247,340</u>	<u>2,779,325</u>	<u>6,816,083</u>

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in thousands, except for share and per share data)

	<i>Note</i>	Years Ended December 31,		
		2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Revenues (including transactions with related parties of RMB9,045, RMB37,152 and RMB38,471 for the years ended December 31, 2019, 2020 and 2021, respectively)	21	670,511	1,352,196	2,959,324
Cost of revenues (including transactions with related parties of RMB154,256, RMB91,989 and RMB135,058 for the years ended December 31, 2019, 2020 and 2021, respectively)	2(o)	(358,241)	(594,399)	(1,405,423)
Gross profit		312,270	757,797	1,553,901
Operating expenses:				
Selling and marketing expenses (including transactions with related parties of RMB24,972, RMB33,921 and RMB120,315 for the years ended December 31, 2019, 2020 and 2021, respectively)	2(p)	(766,465)	(734,753)	(1,634,733)
Research and development expenses	2(r)	(351,012)	(329,763)	(619,585)
General and administrative expenses	2(q)	(253,268)	(296,162)	(690,292)
Total operating expenses		(1,370,745)	(1,360,678)	(2,944,610)
Loss from operations		(1,058,475)	(602,881)	(1,390,709)
Other income/(expenses):				
Investment income		25,035	56,087	59,177
Interest income		28,669	24,751	31,305
Fair value change of financial instrument		7,132	(68,818)	27,846
Exchange (losses)/gains		(9,216)	62,663	(16,665)
Others, net		2,675	11,728	(4,391)
Loss before income tax		(1,004,180)	(516,470)	(1,293,437)
Income tax expense	11(b)	(40)	(1,080)	(5,443)
Net loss		(1,004,220)	(517,550)	(1,298,880)
Accretions of convertible redeemable preferred shares to redemption value	16	(426,781)	(680,734)	(170,585)
Net loss attributable to Zhihu Inc.'s shareholders		(1,431,001)	(1,198,284)	(1,469,465)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(CONTINUED)**

FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021

(All amounts in thousands, except for share and per share data)

	<i>Note</i>	Years Ended December 31,		
		2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net loss		(1,004,220)	(517,550)	(1,298,880)
Other comprehensive loss:				
Foreign currency translation adjustments		(4,021)	(143,326)	(143,190)
Total other comprehensive loss		(4,021)	(143,326)	(143,190)
Total comprehensive loss		(1,008,241)	(660,876)	(1,442,070)
Accretions of convertible redeemable preferred shares to redemption value	16	(426,781)	(680,734)	(170,585)
Comprehensive loss attributable to Zhihu Inc.'s shareholders		<u>(1,435,022)</u>	<u>(1,341,610)</u>	<u>(1,612,655)</u>
Net loss per share, basic and diluted	18	(22.99)	(18.36)	(6.12)
Weighted average number of ordinary shares, basic and diluted	18	62,249,946	65,279,970	240,174,108
Share-based compensation expenses included in:				
Cost of revenues	17	6,338	5,424	18,973
Selling and marketing expenses	17	16,293	15,973	31,947
Research and development expenses	17	28,650	15,281	57,595
General and administrative expenses	17	128,409	143,412	439,950

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**
(All amounts in thousands, except for share and per share data)

	Note	Ordinary shares		Class A ordinary shares		Class B ordinary shares		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' deficit
		Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2018		58,808,070	46	-	-	-	-	-	(48,581)	(2,674,877)	(2,723,412)
Net loss		-	-	-	-	-	-	-	-	(1,004,220)	(1,004,220)
Share-based compensation	17	-	-	-	-	-	-	179,690	-	-	179,690
Foreign currency translation adjustment		-	-	-	-	-	-	-	(4,021)	-	(4,021)
Accretions of convertible redeemable preferred shares to redemption value	16	-	-	-	-	-	-	(166,193)	-	(260,588)	(426,781)
Repurchase of share options		-	-	-	-	-	-	(24,903)	-	-	(24,903)
Re-designation of ordinary shares into Class A ordinary shares	15	(40,080,478)	(31)	40,080,478	31	-	-	-	-	-	-
Re-designation of ordinary shares into Class B ordinary shares	15	(18,727,592)	(15)	-	-	18,727,592	15	-	-	-	-
Proceeds received from employees in relation to share options		-	-	-	-	-	-	11,406	-	-	11,406
Balance as of December 31, 2019		-	-	40,080,478	31	18,727,592	15	-	(52,602)	(3,939,685)	(3,992,241)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data)

	Note	Ordinary shares		Class A ordinary shares		Class B ordinary shares		Additional paid-in capital	Accumulated		Total shareholders' deficit	
		Shares	Amount	Shares	Amount	Shares	Amount		comprehensive loss	other		Accumulated deficit
Balance as of December 31, 2019		-	-	40,080,478	31	18,727,592	15	-	(52,602)	(3,939,685)	(3,992,241)	
Net loss		-	-	-	-	-	-	-	-	(517,550)	(517,550)	
Share-based compensation	17	-	-	-	-	-	-	180,090	-	-	180,090	
Foreign currency translation adjustment		-	-	-	-	-	-	-	(143,326)	-	(143,326)	
Accretion of convertible redeemable preferred shares to redemption value	16	-	-	-	-	-	-	(189,376)	-	(491,358)	(680,734)	
Exercise of share options		-	-	-	-	500,000	-	-	-	-	-	
Proceeds received from employees in relation to share options		-	-	-	-	-	-	9,286	-	-	9,286	
Balance as of December 31, 2020		-	-	40,080,478	31	19,227,592	15	-	(195,928)	(4,948,593)	(5,144,475)	

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Additional paid-in capital	Accumulated other comprehensive loss		Non-controlling interests	Total shareholders' (deficit)/equity
		Shares	Amount	Shares	Amount		RMB	RMB		
Balance as of December 31, 2020		40,080,478	31	19,227,592	15	-	(195,928)	(4,948,593)	-	(5,144,475)
Net loss		-	-	-	-	-	-	(1,298,880)	-	(1,298,880)
Share-based compensation expenses	17	-	-	-	-	540,970	-	-	7,495	548,465
Foreign currency translation adjustment		-	-	-	-	-	(143,190)	-	-	(143,190)
Accretions of convertible redeemable preferred shares to redemption value	16	-	-	-	-	(137,242)	-	(33,343)	-	(170,585)
Proceeds/receivables in relation to share options		-	-	-	-	31,588	-	-	-	31,588
Issuance of Class A ordinary shares upon the completion of IPO, net of issuance cost		40,787,844	33	-	-	4,853,260	-	-	-	4,853,293
Conversion of convertible redeemable preferred shares into Class A shares upon the completion of IPO		180,336,722	148	-	-	8,061,785	-	-	-	8,061,933
Exercise of share options and restricted shares		16,528,770	14	-	-	(14)	-	-	-	-
Balance as of December 31, 2021		277,733,814	226	19,227,592	15	13,350,347	(339,118)	(6,280,816)	7,495	6,738,149

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(All amounts in thousands, except for share and per share data)

	<i>Note</i>	Years Ended December 31,		
		2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cash flows from operating activities:				
Net loss		(1,004,220)	(517,550)	(1,298,880)
Depreciation of property and equipment and amortization of intangible assets	7, 8	20,236	19,611	21,451
Share-based compensation expenses	17	179,690	180,090	548,465
Accrued investment income of short-term investments		(4,899)	(2,359)	(6,366)
Deferred income tax		–	–	(1,095)
Provision of allowance for expected credit loss		7,175	16,773	32,633
Loss on disposal of property and equipment		245	255	–
Fair value change of financial instrument		(7,132)	68,818	(27,846)
Unrealized exchange losses		7,966	–	–
Changes in operating assets and liabilities:				
Trade receivables		(62,630)	(257,070)	(374,676)
Prepayments and other current assets		(10,127)	(17,061)	(134,357)
Right-of-use assets		26,425	22,744	(123,271)
Other non-current assets		142	412	(7,681)
Accounts payable and accrued liabilities		38,639	214,807	524,245
Contract liabilities		41,967	52,867	79,404
Amounts due from/to related parties		13,061	(57,921)	33,203
Taxes payable		2,350	20	59,017
Salary and welfare payables		66,007	25,007	81,422
Other current liabilities		(6,594)	28,883	34,333
Lease liabilities		(23,823)	(22,747)	119,765
Net cash used in operating activities		<u>(715,522)</u>	<u>(244,421)</u>	<u>(440,234)</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
 (All amounts in thousands, except for share and per share data)

	<i>Note</i>	Years Ended December 31,		
		2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cash flows from investing activities:				
Cash paid for long-term investments		–	–	(19,380)
Purchases of short-term investments		(3,549,524)	(6,153,104)	(6,418,000)
Proceeds of maturities of short-term investments		2,280,000	6,594,676	5,234,592
Purchases of term deposits		(1,163,708)	(2,328,717)	(4,946,963)
Proceeds from withdrawal of term deposits		336,315	2,319,201	3,018,396
Purchase of intangible assets		(1,222)	–	–
Purchases of property and equipment		(4,528)	(1,952)	(7,440)
Acquisition of subsidiaries, net of cash acquired		–	–	(33,180)
Proceeds from disposal of property and equipment		179	9	–
Proceeds from foreign exchange options		–	–	35,472
Net cash (used in)/generated from investing activities		<u>(2,102,488)</u>	<u>430,113</u>	<u>(3,136,503)</u>
Cash flows from financing activities:				
Proceeds from issuance of convertible redeemable preferred shares, net of issuance cost	<i>16</i>	3,011,072	–	–
Proceeds received from employees in relation to share options		11,406	9,286	22,954
Proceeds from issuance of Class A ordinary shares upon the completion of IPO, net of issuance cost		–	–	4,853,293
Payments for repurchase of share options		(24,903)	–	–
Net cash provided by financing activities		<u>2,997,575</u>	<u>9,286</u>	<u>4,876,247</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
 (All amounts in thousands, except for share and per share data)

	<i>Note</i>	Years Ended December 31,		
		2019	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Effect of exchange rate changes on cash and cash equivalents		7,491	(137,508)	(100,169)
Net increase in cash and cash equivalents		187,056	57,470	1,199,341
Cash and cash equivalents at beginning of the year		<u>713,294</u>	<u>900,350</u>	<u>957,820</u>
Cash and cash equivalents at end of the year		<u><u>900,350</u></u>	<u><u>957,820</u></u>	<u><u>2,157,161</u></u>
Supplemental schedule of non-cash investing and financing activities:				
Accretions of convertible redeemable preferred shares to redemption value	<i>16</i>	426,781	680,734	170,585
Unpaid consideration for acquisition		–	–	79,636

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Organization and Principal Activities

(a) *Principal activities*

Zhihu Inc., (the “Company” or “Zhihu”), previously known as Zhihu Technology Limited, was incorporated in the Cayman Islands on May 17, 2011 under the Cayman Islands Companies Law as an exempted company with limited liability. The Company, through its consolidated subsidiaries and variable interest entities (“VIEs”) (collectively referred to as the “Group”), is primarily engaged in the operation of one online content community and monetizes through paid membership services, advertising services and content-commerce solutions services in the People’s Republic of China (the “PRC” or “China”). The Company completed its initial public offering (the “IPO”) on the New York Stock Exchange in the United States of America in March 2021.

As of December 31, 2019, 2020 and 2021, the Company’s major subsidiaries, VIEs and VIE’s subsidiary are as follows:

Company name	Country/place and date of incorporation/ acquisition/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group			Principal activities and place of operation	Statutory auditors		
			December 31,				December 31,		
			2019	2020	2021		2019	2020	2021
Subsidiaries									
Zhizhe Sihai (Beijing) Technology Co., Ltd.	PRC, January 18, 2012	US\$1,130,000,000/ US\$971,916,517	100%	100%	100%	Technology, business support and consulting service in the PRC	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)
Zhizhe Information Technology Services Chengdu Co., Ltd.	PRC, May 27, 2016	RMB1,000,000/ RMB500,000	100%	100%	100%	Technology, business support in the PRC	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)
Chengdu Zhizhewanjian Technology Co., Ltd.	PRC, September 21, 2017	RMB10,000,000/ RMB100,000	100%	100%	100%	Information transmission, software and information technology service in the PRC	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)
Shanghai Zhishi Commercial Consulting Co., Ltd	PRC, September 7, 2021	US\$2,000,000/-	N/A	N/A	55%	Consulting service	N/A (Note (i))	N/A (Note (i))	N/A (Note (i))

Company name	Country/place and date of incorporation/ acquisition/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group			Principal activities and place of operation	Statutory auditors		
			December 31,				December 31,		
			2019	2020	2021		2019	2020	2021
Shanghai Paya Information Technology Co., Ltd	PRC, November 11, 2021	RMB1,000,000/-	N/A	N/A	55%	Consulting service	N/A (Note (i))	N/A (Note (i))	N/A (Note (i))
Beijing Zhihu Network Technology Co., Ltd.	PRC, January 22, 2018	US\$100,000,000	100%	100%	100%	Information and marketing service in the PRC	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)
Zhihu Technology (HK) Limited	Hong Kong, June 17, 2011	US\$1,123,144,100	100%	100%	100%	Investment holding in Hong Kong	N/A (Note (i))	N/A (Note (i))	N/A (Note (i))
<u>VIEs</u>									
Beijing Zhizhe Tianxia Technology Co., Ltd.	PRC, June 8, 2011	RMB1,691,930/ RMB1,658,200	100%	100%	100%	Internet service in the PRC	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)	Beijing Shangyi International Accounting Firm (General Partnership)
Shanghai Pinzhi Education Technology Co., Ltd.	PRC, July 10, 2021	RMB10,000,000/-	N/A	N/A	55%	Vocational training	N/A (Note (ii))	N/A (Note (ii))	N/A (Note (ii))
Shanghai Biban Network Technology Co., Ltd	PRC, November 17, 2021	RMB1,067,400	N/A	N/A	55%	Vocational training	N/A (Note (ii))	N/A (Note (ii))	N/A (Note (ii))
<u>VIE's subsidiary</u>									
Beijing Leimeng Shengtong Cultural Development Co., Ltd.	PRC, November 8, 2017	RMB10,000,000	100%	100%	100%	Audio-Visual Permit holder in the PRC	N/A (Note (ii))	N/A (Note (ii))	N/A (Note (ii))

Note(i): No audited financial statements have been prepared for this company for the years ended December 31, 2019, 2020 and 2021.

Note(ii): No audited financial statements were issued for this company for the years ended December 31, 2019, 2020 and 2021 as it is not required to issue audited financial statements under the statutory requirements of its respective place of incorporation.

(b) *VIE arrangements between the Company's PRC subsidiaries*

As of December 31, 2021, the Company, through the Zhizhe Sihai (Beijing) Technology Co., Ltd., Shanghai Zhishi Commercial Consulting Co., Ltd and Shanghai Paya Information Technology Co., Ltd. (“WFOEs”), entered into the following contractual arrangements with the Beijing Zhizhe Tianxia Technology Co., Ltd., Shanghai Pinzhi Education Technology Co., Ltd and Shanghai Biban Network Technology Co., Ltd (“VIEs”) and their shareholders, respectively, that enabled the Company to (1) have power to direct the activities that most significantly affect the economic performance of the VIEs, and (2) bear the risks and enjoy the rewards normally associated with ownership of the VIEs. Accordingly, WFOEs are considered the primary beneficiary of the VIEs, and the financial results of operations, assets and liabilities of the VIEs were included in the Group's consolidated financial statements.

The following is a summary of the contractual agreements entered into by and among the WFOEs, the VIEs and their shareholders:

(i) *Contracts that give the Company effective control of the VIEs*

Exclusive Share Option Agreement. Pursuant to the exclusive share option agreements among the WFOEs, the VIEs and the VIEs' shareholders, each of the shareholders of the relevant VIE irrevocably granted the relevant WFOE an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of his or her equity interests in the relevant VIE, and the purchase price shall be RMB10 or the price permitted by applicable the PRC law. The shareholders of the VIEs undertake that, without the prior written consent of the WFOEs, they will not, among other things, (i) change VIEs' registered capital, (ii) merge VIEs with any other entity, (iii) sell, transfer, mortgage, or dispose of VIEs' assets, or (iv) amend VIEs' articles of association. The exclusive share option agreements will remain effective unless the WFOEs terminate these agreements with written request or other circumstances mentioned therein take place. The agreements amongst the VIEs, the relevant subsidiaries and VIEs' shareholders that provide the Company effective control over these VIEs contain substantially the same terms, except that contract termination date and materiality threshold for the corporate actions that require WFOEs' consent vary.

Shareholders Voting Proxy Agreements. Pursuant to the shareholders voting proxy agreement, each shareholder of the relevant VIE irrevocably authorized the relevant WFOE to act on his or her respective behalf as proxy attorney, to exercise the voting and management rights of shareholders concerning all the equity interests held by each of them in the VIEs, including but not limited to voting rights, rights of operation and management, and all other rights as shareholders under the articles of association of the VIEs. The agreements amongst the VIEs, the relevant subsidiaries and VIEs' shareholders that provide the Company effective control over these VIEs contain substantially the same terms, except that contract termination date varies.

Equity Interest Pledge Agreements. Pursuant to the equity interest pledge agreements, the shareholders pledge 100% of their equity interests in the VIEs to the WFOEs to guarantee the performance by the VIEs and their shareholders of their obligations under the exclusive business cooperation agreement, the exclusive share option agreements and the shareholders voting proxy agreement. In the event of a breach by the VIEs or any shareholder of contractual obligations under the equity interest pledge agreement, the WFOEs, as pledgee, will have the right to dispose of the pledged equity interests in the VIEs and will have priority in receiving the proceeds from such disposal. The shareholders of the VIEs agree that, without the WFOEs' prior written consent, during the term of the equity interest pledge agreements, they will not dispose of, create, or allow any encumbrance on the pledged equity interests. The agreements amongst the VIEs, the relevant subsidiaries and VIEs' shareholders that provide the Company effective control over these VIEs contain substantially the same terms, except that contract termination date varies.

Spousal Consent Letters. Spouses of shareholders of the VIEs have each signed a spousal consent letter. Each signing spouse of the relevant shareholder unconditionally and irrevocably agreed that the equity interests in the VIEs held by and registered in the name of such shareholder be disposed of in accordance with the equity interest pledge agreements, the exclusive share option agreements, the shareholders voting proxy agreements, and the exclusive business cooperation agreements, and that such shareholder may perform, amend or terminate such agreements without any additional consent of his or her spouse. Additionally, the signing spouses agreed not to assert any rights over the equity interests in the VIEs held by the shareholders. In addition, in the event that the signing spouses obtain any equity interests in the VIEs held by the shareholders for any reason, they agree to be bound by and sign any legal documents substantially similar to the contractual arrangements described above, as may be amended from time to time.

(ii) *Contracts that enable the Company to receive substantially all of the economic benefits from the VIEs*

Exclusive business cooperation agreements. Each VIE has entered into an exclusive business cooperation agreement with the relevant WFOE, pursuant to which the WFOEs provides exclusive services to the VIEs. In exchange, the VIEs pay a service fee to the WFOEs, the amount of which shall be determined, to the extent permitted by applicable PRC laws as proposed by the WFOEs, resulting in a transfer of substantially all of the profits from the VIEs to the WFOEs. VIEs have incurred RMB31.9 million, RMB186.1 million, and RMB330.5 million service fee to the WFOEs for the years ended December 31, 2019, 2020 and 2021, respectively. The agreements amongst the VIEs, the relevant subsidiaries and VIE's shareholders that provide the Company effective control over these VIEs contain substantially the same terms, except that contract termination date varies.

(iii) Risks in relation to VIE structure

Part of the Group's business is conducted through the VIEs of the Group, of which the Company is the ultimate primary beneficiary. In the opinion of the management, the contractual arrangements with the VIEs and the nominee shareholders are in compliance with PRC laws and regulations and are legally binding and enforceable. The nominee shareholders indicate they will not act contrary to the contractual arrangements. However, there are substantial uncertainties regarding the interpretation and application of the PRC laws and regulations including those that govern the contractual arrangements, which could limit the Group's ability to enforce these contractual arrangements and if the nominee shareholders of the VIEs were to reduce their interests in the Group, their interests may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the contractual arrangements.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Regulation of Foreign Investment Law promulgated by the State Council and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People's Court became effective on January 1, 2020. Since the Foreign Investment Law and its current implementation and interpretation rules are relatively new, uncertainties still exist in relation to their further application and improvement. The Foreign Investment Law and its current implementation and interpretation rules do not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under the definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations, or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations, or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that the Group's control over the variable interest entities through contractual arrangements will not be deemed as a foreign investment in the future. Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, the Group may face substantial uncertainties as to whether the Group can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect the Group's current corporate structure and business operations.

If the Group are found in violation of any PRC laws or regulations or if the contractual arrangements among WFOEs, VIEs and their nominee shareholders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the contractual arrangements;
- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict operations;
- restrict the Group's right to collect revenue;
- restrict or prohibit the Group's use of the proceeds from the public offering to fund the Group's business and operations in China;
- shut down all or part of the Group's websites or services;
- levy fines on the Group or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require the Group to restructure the operations in such a way as to compel the Group to establish a new enterprise, re-apply for the necessary licenses or relocate the Group's businesses, staff, and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to the Group's business.

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's businesses. In addition, if the imposition of any of these penalties causes the Group to lose the right to direct the activities of the VIE (through its equity interests in its subsidiaries) or the right to receive their economic benefits, the Group will no longer be able to consolidate the VIEs and their subsidiaries, if any. In the opinion of management, the likelihood of loss in respect of the Group's current ownership structure or the contractual arrangements with its VIEs is remote. The Group's operations depend on the VIEs and their nominee shareholders to honor their contractual arrangements with the Group. These contractual arrangements are governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in the PRC. The management believes that each of the contractual arrangements constitutes valid and legally binding obligations of each party to such contractual arrangements under the PRC laws. However, the interpretation and implementation of the laws and regulations in the PRC and their application on the legality,

binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual arrangements. Meanwhile, since the PRC legal system continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group to enforce the contractual arrangements should the VIEs or the nominee shareholders of the VIEs fail to perform their obligations under those arrangements.

The following consolidated financial information of the Group's VIEs and their subsidiaries as of December 31, 2019, 2020 and 2021 was included in the accompanying consolidated financial statements of the Group as follows (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Current assets:			
Cash and cash equivalents	30,702	86,487	59,313
Short-term investments	40,000	51,479	434,505
Trade receivables	3,048	32,307	58,282
Amounts due from related parties	37,222	14,650	15,713
Prepayments and other current assets	12,921	23,352	50,753
Non-current assets:			
Property and equipment, net	77	53	557
Intangible assets, net	32,196	21,048	66,186
Goodwill	–	–	73,663
Right-of-use assets	960	–	5,878
Other non-current assets	321	30	243
Total assets	<u>157,447</u>	<u>229,406</u>	<u>765,093</u>
Current liabilities:			
Accounts payable and accrued liabilities	22,983	51,321	120,057
Salary and welfare payables	1,325	1,537	2,473
Taxes payable	337	587	2,508
Contract liabilities	52,965	76,992	130,420
Amounts due to related parties	102,336	126,319	436,714
Short-term lease liabilities	1,010	–	1,613
Other current liabilities	14,079	17,103	22,537
Non-current liabilities			
Long-term lease liabilities	–	–	3,689
Deferred tax liabilities	–	–	14,030
Other non-current liabilities	–	–	8,439
Total liabilities	<u>195,035</u>	<u>273,859</u>	<u>742,480</u>

	Years Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Revenues	102,595	370,046	766,228
Net loss	(11,712)	(7,583)	(21,266)
Net cash (used in)/generated from operating activities	(128,981)	65,785	386,452
Net cash generated from/(used in) investing activities	135,000	(10,000)	(413,626)

In accordance with various contractual agreements, the Company has the power to direct the activities of the VIE and can have assets transferred out of the VIEs and their subsidiaries. Therefore, the Company considers that there are no assets in the VIEs and their subsidiaries that can be used only to settle obligations of the VIEs and their subsidiaries, except for the registered capital of the VIEs and their subsidiaries amounting to approximately RMB21.7 million, RMB21.7 million and RMB22.8 million as of December 31, 2019, 2020 and 2021 respectively. As the VIEs are incorporated as limited liability company under the PRC Company Law, creditors do not have recourse to the general credit of the Company for the liabilities of the VIEs and their subsidiaries. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs.

(c) Liquidity

The Group incurred net losses of RMB1,004.2 million, RMB517.6 million and RMB1,298.9 million for the years ended December 31, 2019, 2020 and 2021, respectively. Net cash used in operating activities was RMB715.5 million, RMB244.4 million and RMB440.2 million for the years ended December 31, 2019, 2020 and 2021, respectively. Accumulated deficit was RMB3,939.7 million, RMB4,948.6 million and RMB6,280.8 million as of December 31, 2019, 2020 and 2021, respectively. The Group assesses its liquidity by its ability to generate cash from operating activities and attract investors' investments.

Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from investors to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenues while controlling operating expenses, as well as, generating operational cash flows and continuing to gain support from outside sources of financing. The Group has been continuously receiving financing support from outside investors through the issuance of preferred shares. In March 2021, with the completion of its initial public offering on New York Stock Exchange, the Group received the net proceeds of RMB4,838.2 million. In April 2021, the underwriters exercised their option to purchase additional ADSs and the Company received net proceeds of RMB15.1 million. Moreover, the Group can adjust the pace of its operation expansion and control the operating expenses. As of December 31, 2019, 2020 and 2021, the Group had RMB900.4 million, RMB957.8 million and RMB2,157.2 million of cash and cash

equivalents, RMB1,151.1 million, RMB1,092.9 million and RMB2,974.9 million of term deposits and RMB1,492.2 million, RMB1,046.0 million and RMB2,239.6 million of short-term investments, respectively. As of December 31, 2019, 2020 and 2021, the Group had RMB3,138.9 million, RMB2,705.6 million and RMB6,436.5 million of net current assets. Based on the above considerations, the Group believes the cash and cash equivalents, term deposits, short-term investments are sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months from the issuance of the consolidated financial statements. The Group's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

2. Significant Accounting Policies

(a) Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and subsidiaries of the VIEs for which the Company are the primary beneficiary.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of the board of directors, or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

Consolidated VIEs are entities in which the Company, or its subsidiaries, through contractual arrangements, has the power to direct the activities that most significantly impact the entities' economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All transactions and balances among the Company, its subsidiaries, the consolidated VIEs and subsidiaries of the VIEs have been eliminated upon consolidation.

(c) Use of estimates

The preparation of the Group's consolidated financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the balance sheet date and reported revenues and expenses during the reported periods in the consolidated financial statements and accompanying notes. Significant accounting estimates include but are not limited to assessment for the determination of the fair value of convertible redeemable preferred shares valuation, recognition of share-based compensation expenses, provision of allowance for expected credit losses and purchase price allocation in relation to acquisitions.

(d) Functional currency and foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its overseas subsidiaries which incorporated in the Cayman Islands, the British Virgin Islands and Hong Kong is United States dollars ("US\$"). The functional currency of the Group's PRC entities is RMB.

In the consolidated financial statements, the financial information of the Company and other entities located outside of the PRC have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the periodic average exchange rate. Translation adjustments are reported as foreign currency translation adjustments and are shown as a component of other comprehensive (loss)/income in the consolidated statements of operations and comprehensive loss.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. Net gains and losses resulting from foreign exchange transactions are included in others, net in the consolidated statements of operations and comprehensive loss.

(e) Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation techniques are observable or unobservable. The hierarchy is as follows:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical asset or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 applies to asset or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Accounting guidance also describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

Financial assets and liabilities of the Group primarily consist of cash and cash equivalents, term deposits, short-term investments, trade receivables, other receivables and amounts due from/to related parties, accounts payable and accrued liabilities and other current liabilities and contingent consideration in relation to acquisitions. As of December 31, 2019, 2020 and 2021 the carrying values of cash and cash equivalents, term deposits, trade receivables, amounts due from/to related parties, other receivables, accounts payable and accrued liabilities and other current liabilities are approximated to their respective fair values, due to their short-term nature. Please see Note 9 for additional information of contingent consideration.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Term deposits

Term deposits are the balances placed with the banks with original maturities over three months. The term deposits are unsecured and carry fixed interest per annum for the years presented.

(h) Short-term investments

Short-term investments mainly include investments in financial instruments with a variable interest rate indexed to performance of underlying assets. In accordance with ASC 825 – “Financial Instruments”, the Group elected the fair value method at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected in the consolidated statements of operations and comprehensive loss as other income/(expense).

(i) Current expected credit losses

In 2016, the FASB issued ASC Topic 326, which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses. The Group adopted ASC Topic 326 on January 1, 2019 and several associated ASUs using a modified retrospective approach which did not have a material impact to the Group's consolidated financial statements as of January 1, 2019.

The Group's trade receivables and other receivables included in prepayment and other current assets and other non-current assets are within the scope of ASC Topic 326. The Group has identified the relevant risk characteristics of its customers and the related receivables and other receivables which include size, type of the services or the products the Group provides, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact the Group's receivables. Additionally, external data and macroeconomic factors are also considered. They are assessed at each quarter based on the Group's specific facts and circumstances. Changes in these factors in the current expected credit loss model from January 1, 2019 had no significant impact on the consolidated financial statements.

The Group's trade receivables consist primarily of amounts due from advertising agencies and direct advertising customers. The Group recorded RMB7.2 million, RMB15.8 million and RMB32.6 million in expected credit loss expense for the years ended December 31, 2019, 2020 and 2021, respectively.

(j) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

Electronic equipment	3 years
Office equipment and furniture	3 – 5 years
Leasehold improvement	Shorter of their useful life and the lease term

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations and comprehensive loss.

(k) Intangible assets, net

Separately acquired license, software and other intangible assets are shown at historical cost. Intangible assets acquired in a business combination were recognized initially at fair value at the date of acquisition. They have finite useful lives and are subsequently carried at cost less accumulated amortization and impairment losses (if any). The Group amortizes intangible assets with a limited useful life using the straight-line method over the following years:

License	5 years
Software	10 years
Content	5 years
Brand name	10 years
Technology	5 years

(l) Goodwill

Goodwill represents the excess of the purchase consideration over the acquisition date amounts of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity in a business combination. Goodwill is not amortized but is tested for impairment on December 31 annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and

market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit, including consideration of the impact of the COVID-19 pandemic. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. Otherwise, no further testing is required.

On January 1, 2020, the Group adopted ASU No. 2017-04, Simplifying the Test for Goodwill Impairment to simplify the test for goodwill impairment by removing Step 2, which was issued by the FASB in January 2017. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step 2 to measure the impairment loss.

Management evaluated the recoverability of goodwill by performing a qualitative assessment before using a two-step impairment test approach at the reporting unit level. Based on an assessment of the qualitative factors, management determined that it is more-likely-than-not that the fair value of each reporting unit is in excess of its carrying amount as of December 31, 2021. Therefore, no impairment loss was recorded for the year ended December 31, 2021.

(m) Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, Leases, which specifies the accounting for leases. Earlier application is permitted for all entities as of February 25, 2016, the issuance date of the final standard. The Group early adopted ASC 842 on January 1, 2018, along with all subsequent ASU clarifications and improvements that are applicable to the Group, to each lease that existed in the years presented in the financial statements, using the modified retrospective transition method and used the commencement date of the leases as the date of initial application. Consequently, financial information and the disclosures required under ASC 842 are provided for dates and years presented in the financial statements. The Group has applied practical expedient to not recognize short-term leases with lease terms of one year or less.

The Group determines if a contract contains a lease based on whether it has the right to obtain substantially all of the economic benefits from the use of an identified asset which the Group does not own and whether it has the right to direct the use of an identified asset in exchange for consideration. Right-of-use assets represent the Group’s right to use an underlying asset for the lease term and lease liabilities represent the Group’s obligation to make lease payments arising from the lease. Right-of-use assets are recognized as the amount of the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Group’s incremental borrowing rate (“IBR”), because the interest rate implicit in most of the Group’s leases is not readily determinable. The IBR is a hypothetical rate based on the Group’s understanding of what its credit rating would be to borrow and resulting interest the Group would pay to borrow

an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis. Lease payments may be fixed or variable, however, only fixed payments or in-substance fixed payments are included in the Group's lease liability calculation. Variable lease payments are recognized in operating expenses in the year in which the obligation for those payments is incurred.

(n) Revenue recognition

The Group adopted ASC 606 – “Revenue from Contracts with Customers” for all years presented. According to ASC 606, revenue is recognized as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to customer. Contract assets as of December 31, 2019, 2020 and 2021 were not material.

Trade receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Paid membership services

The Group generates revenue through paid membership services on its community where users pay a membership fee to access premium content library for a fixed time period. The Group is determined to be the primary obligor and accordingly, the Group records revenue on a gross basis, and the revenue sharing to the content providers is recorded as cost of revenues.

The Group offers membership service which provides subscription members' access right to premium content. Membership periods range from one month to twelve months. Membership service represents a stand ready obligation to provide the paid content service and the customer simultaneously receives and consumes the benefits as the Group provide such services throughout the membership period. The receipt of membership fees is initially recorded as contract liabilities and revenue is recognized ratably over the membership period as services are rendered.

Users who are undecided about or otherwise do not need paid memberships can pay retail prices to access the premium content. This on-demand access option supplements the membership programs as an additional revenue stream and provides flexibility to the users. The Group determined that the retail purchase consists of two performance obligations: the content and the hosted connection for content online playback ("online hosting"). The transaction price is allocated between the two performance obligations based on the relative standalone selling price. The purchased content usually has no expiry period unless otherwise stated. As the Group does not have further obligation after making the content available to the user for content performance obligation, the revenue from content performance obligation is recognized at the time of purchase for pre-recorded content and at the time of completion of live streaming for live streaming content. The online hosting performance obligation is satisfied over the viewing period of the customers. Accordingly, the Group recognizes the revenue over the estimated benefit periods. The revenue derived from the retail purchase is not significant for the years ended December 31, 2019, 2020 and 2021.

The Group also provides discount coupons to its customers for use in purchasing online paid contents, which were not material for the years ended December 31, 2019, 2020 and 2021, and treated as a reduction of revenue upon usage of coupon.

Advertising services

Advertising revenues are derived principally from advertising contracts with customers where the customers pay to place their advertisements on the Group's community over a particular period of time. Such formats generally include but are not limited to launch screen advertisements, in-app bannered advertisements, and feed advertisements. Merchants and brands can choose to compose their advertisements in text, images or videos and decide whether they are display-based or performance-based. Zhihu primarily charge display-based advertisements by cost-per-mille ("CPM") model and cost-per-day ("CPD") model, and primarily charge performance-based advertisements by cost-by-click ("CPC") model and CPM model.

Content-commerce solutions services

Content-commerce solution services are online marketing solutions that are seamlessly integrated into our regular content operations. The Group provides content-commerce solutions services to expose the designated content to more targeted audience. Zhihu primarily charges the content-commerce solutions service by CPC model.

For advertising and content-commerce solutions, the Group recognizes revenue on the satisfied performance obligations and defers the recognition of revenue for the estimated value of the undelivered elements until the remaining performance obligations have been satisfied. When all of the elements within arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight-line basis over the contract period. The primary services and pricing models of advertising and content-commerce solutions are summarized as below:

CPM model

Under the CPM model, the unit price for each qualified display is fixed and stated in the contract with advertisers. A qualified display is defined as the appearance of an advertisement, where advertisement meets the criteria specified in the contract. Given the fees are priced consistently throughout the contract and the unit prices for each qualified display is fixed accordingly, the Group recognizes revenue based on the fixed unit prices and the number of qualified displays upon occurrence of display, provided all revenue recognition criteria have been met.

CPC model

Under the CPC model, there is no fixed price for advertising services or content-commerce solutions services stated in the contract with the advertiser and the unit price for each click is auction-based. The Group charges merchants and brands on a per-click basis, when the users click on the advertisements or the designated content. Given that the unit price is fixed, the Group recognizes revenue based on qualifying clicks and unit price upon the occurrence of a click, provided all revenue recognition criteria have been met.

CPD model

Under the CPD model, a contract is signed to establish a fixed price for the advertising services to be provided over a period of time. Given the advertisers benefit from the displayed advertising evenly, the Group recognizes revenue on a straight-line basis over the period of display, provided all revenue recognition criteria have been met.

Sales rebate to certain customers

Certain customers may receive sales rebates, which are accounted for as variable consideration. The Group estimates annual expected revenue volume of each individual customer with reference to their historical results. The sales rebate reduces revenues recognized. The Group recognizes revenue for the amount of fees it receives from its advertisers, after deducting sales rebates and net of value-added tax ("VAT"). The Group believes that there will not be significant changes to its estimates of variable consideration.

Other revenues

The Group's other revenues are primarily generated from the vocational training, e-commerce services and other activities. Other revenues are recognized when control of promised goods or services is transferred to the customers, which generally occurs upon the acceptance of the goods or services by the customers. Pursuant to ASC 606-10-55-39, for arrangements where the Group is primarily responsible for fulfilling the promise to provide the goods or services, are subject to inventory risk, and have latitude in establishing prices and selecting suppliers, revenues are recorded on a gross basis. Otherwise, revenues are recorded on a net basis.

Principal expedients and exemptions

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of one year or less.

The Group recognizes an asset for the incremental costs of obtaining a contract if those costs are expected recoverable. The Group elects to expense certain costs to obtain a contract as incurred when the expected recover period is one year or less.

(o) Cost of revenues

Cost of revenues consist primarily of cloud service and bandwidth costs, staff costs including share-based compensation, content and operational cost, payment processing cost, and other direct costs related to the operation of business. These costs are charged to the consolidated statements of operations and comprehensive loss as incurred.

(p) Selling and marketing expenses

Selling and marketing expenses consist primarily of promotion and advertising expenses, staff costs including share-based compensation and other daily expenses which are related to the selling and marketing departments. For the years ended December 31, 2019, 2020 and 2021, advertising expenses were RMB350.2 million, RMB311.0 million and RMB782.6 million, respectively.

(q) General and administrative expenses

General and administrative expenses consist of staff costs including share-based compensation expenses and related expenses for employees involved in general corporate functions, including accounting, finance, tax, legal and human resources; and costs associated with use by these functions of facilities and equipment, such as traveling and general expenses, professional service fees and other related expenses.

(r) Research and development expenses

Research and development expenses mainly consist of staff costs including share-based compensation expenses and rental expenses incurred associated with research and development departments.

For those websites and platforms of applications, the Group expenses all costs incurred for the preliminary project stage and post implementation-operation stage of development, and costs associated with repair or maintenance of the existing platform. Costs incurred in the application development stage are capitalized and amortized over the estimated useful life. Since the amount of the Group's research and development expenses qualifying for capitalization has been immaterial, as a result, all website and software development costs have been expensed in "research and development expenses" as incurred.

(s) Share-based compensation

Share-based compensation benefits are provided to employees under the 2012 incentive compensation plan ("Zhihu Employee Option Plan" or the "Plan"). The Company accounts for share-based compensation benefits granted to employees in accordance with ASC 718 Stock Compensation. Information relating to the plan is set out in Note 17.

Prior to the completion of the IPO, the Company has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted an equity allocation model to determine the fair value of the underlying ordinary share. After the completion of the IPO, the Company has used share prices as the fair value of the underlying ordinary share. The determination of estimated fair value of share-based compensation on the grant date using binomial option-pricing model is affected by the fair value of the Company's ordinary shares as well as assumptions in relation to a number of complex and subjective

variables. These variables include the expected value volatility of the Company over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate and expected dividends, if any.

The fair value of options granted under the plan is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognized over the vesting period, over which all the specified vesting conditions are to be satisfied, using a graded vesting method. The Group accounts for forfeitures in the period they occur as a reduction to expense.

(t) Employee benefits

PRC Contribution Plan

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries and the VIE of the Group make contributions to the government for these benefits based on certain percentages of the salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond making the required contributions. The total amounts of such employee benefit expenses, which were expensed as incurred, were approximately RMB103.8 million, RMB63.6 million and RMB148.5 million for the years ended December 31, 2019, 2020 and 2021, respectively. The total balances of employee welfare benefit including the accrual for estimated underpaid amounts were approximately RMB113.9 million, RMB123.7 million and RMB112.9 million as of December 31, 2019, 2020 and 2021, respectively.

(u) Taxation

Income taxes

Current income taxes are provided on the basis of income/(loss) for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are provided using the liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax basis of an asset or liability is the amount attributed to that asset or liability for tax purposes. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statement of operations and comprehensive loss in the year of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

In order to assess uncertain tax positions, the Group applies a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Group recognizes interest and penalties, if any, under other current liabilities on its consolidated balance sheet and under other expenses in its consolidated statement of operations and comprehensive loss. The Group did not have any significant unrecognized uncertain tax positions as of and for the years ended December 31, 2019, 2020 and 2021, respectively.

(v) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence. Related parties may be individual or corporation entities.

(w) Net loss per share

Net loss per share is computed in accordance with ASC 260, "Earnings per Share". The two-class method is used for computing earnings per share in the event the Group has net income available for distribution. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Class A ordinary share and Class B ordinary share have the same rights in dividend. Therefore, basic and diluted loss per share are the same for both classes of ordinary shares. The Company's convertible redeemable preferred shares may be considered as participating securities because they are entitled to receive dividends or distributions on an as if converted basis if the Group has net income available for distribution under certain circumstances. Net losses are not allocated to other participating securities as they are not obligated to share the losses based on their contractual terms.

Basic net loss per share is computed by dividing net loss attributable to ordinary shareholders, considering the accretions of convertible redeemable preferred shares, by the weighted average number of ordinary shares outstanding during the year. Diluted net loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the years. Ordinary equivalent shares consist of ordinary shares issuable upon the conversion of the convertible redeemable preferred shares using as if converted method and ordinary shares issuable upon

the exercise of share options using the treasury stock method. Ordinary equivalent shares are not included in the denominator of the diluted net loss per share calculation when inclusion of such share would be anti-dilutive.

(x) Statutory reserves

In accordance with China's Company Laws, the Company's VIE in PRC must make appropriations from their after-tax profit (as determined under the accounting principles generally acceptable in the People's Republic of China ("PRC GAAP")), after offsetting accumulated losses from prior years, to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China have to make appropriations from their after-tax profit (as determined under PRC GAAP), after offsetting accumulated losses from prior years, to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the respective companies' discretion. The Foreign Investment Law of the PRC (the Foreign Investment Law) and the Regulation on the Implementation of the Foreign Investment Law are effective from January 1, 2020, and the Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-owned Enterprises, and the Law of the PRC on Sino-Foreign Contractual Joint Ventures as well as relevant regulations for the implementation of these laws and specific clauses shall be repealed simultaneously. According to Article 46 of the Regulation on the Implementation of the Foreign Investment Law, the original joint operators and cooperators in pre-existing foreign-invested enterprises may continue to follow the agreed upon terms in their contract on methods for profit allocation, distribution of surplus property, etc. Enterprises shall determine the applicability of the agreed-upon terms by taking into account of their own circumstances.

The use of general reserve fund, enterprise expansion fund, statutory surplus fund and discretionary surplus fund are restricted to the offsetting of losses or increasing of the registered capital of the respective company.

The Group did not make any appropriations to its any reserve fund for the years ended December 31, 2019, 2020 and 2021, respectively, as each subsidiary was in accumulated loss position.

(y) *Business combination and noncontrolling interests*

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805, Business Combinations. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. During the measurement period, which can be up to one year from the acquisition date, the Group may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded as gain or loss on the consolidated statements of operations and comprehensive loss.

In a business combination achieved in stages, the Group re-measures the previously held equity interests in the acquiree when obtaining control at its acquisition date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated statements of operations and comprehensive loss.

For the Company's majority-owned subsidiaries and consolidated VIEs, noncontrolling interests are recognized to reflect the portion of the equity which is not attributable, directly or indirectly, to the Company as the controlling shareholder. Noncontrolling interests acquired through a business combination are recognized at fair value at the acquisition date, which is estimated with reference to the purchase price per share as of the acquisition date.

(z) *Comprehensive income/(loss)*

Comprehensive income/(loss) is defined to include all changes in equity/(deficit) of the Group during a year arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Other comprehensive income/(loss), as presented on the consolidated balance sheets, consists of accumulated foreign currency translation adjustments.

(aa) *Segment reporting*

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers ("CODM"). Based on the criteria established by ASC 280 "Segment Reporting", the Group's CODM has been identified as the Chief Executive Officer, who reviews consolidated results of the Group when making decisions about allocating resources and assessing performance.

The Group's CODM reviews consolidated results including revenue and operating income at a consolidated level. This resulted in only one operating and reportable segment in the Group.

The Group's long-lived assets are substantially all located in the PRC and substantially all the Group's revenues are derived from within the PRC, therefore, no geographical segments are presented.

(ab) Dividends

Dividends are recognized when declared. No dividends were declared or paid for the years ended December 31, 2019, 2020 and 2021, respectively.

(ac) Recently adopted accounting pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements in ASC 820, “Fair Value Measurement” (“ASC 820”). The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The new standard is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. The Group adopted ASU 2018-13 effective January 1, 2020. ASU 2018-13 did not have a material impact on disclosures in the Group's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, “Simplifying the Accounting for Income Taxes” to remove specific exceptions to the general principles in Topic 740 and to simplify accounting for income taxes. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. The Group adopted ASU 2019-12 effective January 1, 2021. ASU 2019-12 did not have a material impact on disclosures in the Group's consolidated financial statements.

(ad) Recently issued accounting pronouncements not yet adopted

In May 2021, the FASB issued ASU No. 2021-04, Earnings Per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40). The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should

apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The Group is currently evaluating the impact of these accounting standard updates on its consolidated financial statements.

3. Concentrations and Risks

(a) *Foreign currency exchange rate risk*

In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the US\$, and the RMB appreciated by more than 20% against the US\$ over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the US\$ remained within a narrow band. Since June 2010, the RMB has fluctuated against the US\$, at times significantly and unpredictably. The appreciation of the RMB against the US\$ was approximately 6% in 2017. The depreciation of the RMB against the US\$ was approximately 5% and 2% in 2018 and 2019, respectively. The appreciation of the RMB against the US\$ was approximately 6% and 2% in 2020 and 2021, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

(b) *Credit and concentration risk*

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash and cash equivalents, term deposits, trade receivables, other receivables and short-term investments. The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk.

As of December 31, 2019, 2020 and 2021, substantially all of the Group's cash and cash equivalents, term deposits and short-term investments were held in state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

Trade receivables are typically unsecured and are generally derived from customers. No one customer represented greater than 10% of the Group's total revenues in any of the years presented. There is no customer accounts for greater than 10% of the Group's trade receivables as of December 31, 2019 and 2020 and two customers account for greater than 10% of the Group's trade receivables as of December 31, 2021.

One supplier represented more than 10% of the Group's total purchases for the year ended December 31, 2019 and the corresponding accounts payable due to this supplier was greater than 10% of the Group's accounts payable as of December 31, 2019. There were purchases from two suppliers which individually represented greater than 10% of the Group's total purchases for the year ended December 31, 2020 and accounts payable due to one of the aforementioned suppliers account for greater than 10% of the Group's accounts payable as of December 31, 2020. No supplier represented more than 10% of the Group's total purchases for the year ended December 31, 2021, but accounts payable due to one supplier account for greater than 10% of the Group's accounts payable as of December 31, 2021.

(c) Currency convertibility risk

The PRC government imposes controls on the convertibility of RMB into foreign currencies. The Group's cash and cash equivalents, term deposits and short-term investments denominated in RMB that are subject to such government controls amounted to RMB1,593.5 million, RMB1,188.7 million and RMB2,821.1 million as of December 31, 2019, 2020 and 2021, respectively. The value of RMB is subject to changes in the central government policies and to international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to process the remittance.

4. Trade Receivables

Trade receivables consisted of (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Trade receivables, gross	257,805	513,943	890,223
Provision of allowance for expected credit losses	(11,862)	(27,897)	(58,595)
Trade receivables, net	<u>245,943</u>	<u>486,046</u>	<u>831,628</u>

An aging analysis based on the relevant recognition dates is as follows (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
0-3 months	151,992	319,785	495,638
3-6 months	57,217	120,953	219,410
6-12 months	37,236	56,136	124,725
Over 1 year	11,360	17,069	50,450
Trade receivables, gross	<u>257,805</u>	<u>513,943</u>	<u>890,223</u>

5. Prepayments and Other Current Assets

The following is a summary of prepayments and other current assets (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Deductible input value-added tax	72,479	46,689	29,567
Prepayment for promotion and advertising expense and other operation expenses	10,306	27,612	70,628
Receivables related to exercise of employee options	–	–	94,264
Prepayments of costs of organizing the 10th anniversary celebration events	–	25,188	–
Derivative asset (Note 16)	7,132	–	–
Prepaid content cost	6,885	8,441	35,204
Interest income receivable	4,844	364	15,303
Rental and other deposits	2,826	10,583	19,336
Others	2,003	4,659	7,773
Total	<u>106,475</u>	<u>123,536</u>	<u>272,075</u>

6. Short-term Investments

As of December 31, 2019, 2020 and 2021, the Group's short-term investments consisted of wealth management products and structured deposits, which contain a variable interest rate. To estimate the fair value of short-term investments, the Group refers to the quoted rate of return provided by financial institutions at the end of each year using discounted cash flow method. The Group classifies the valuation techniques that use these inputs as level 2 of fair value measurement.

The following is a summary of short-term investments (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Structured deposits	200,833	–	230,993
Wealth management products	1,291,347	1,046,000	2,008,603
Total	<u>1,492,180</u>	<u>1,046,000</u>	<u>2,239,596</u>

During the years ended December 31, 2019, 2020 and 2021 the Group recorded investment income related to short-term investments of RMB25.0 million, RMB56.1 million and RMB59.2 million in the consolidated statements of operations and comprehensive loss, respectively.

7. Property and equipment, net

The following is a summary of property and equipment, net (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Electronic equipment	16,854	13,653	15,443
Office equipment and furniture	5,235	5,083	7,209
Leasehold improvement	9,904	10,078	13,700
Total	31,993	28,814	36,352
Less: Accumulated depreciation	(17,422)	(20,709)	(26,487)
Net book value	<u>14,571</u>	<u>8,105</u>	<u>9,865</u>

Depreciation expense was RMB9.0 million, RMB8.1 million and RMB5.8 million for the years ended December 31, 2019, 2020 and 2021, respectively.

8. Intangible assets, net

The following is a summary of intangible assets, net (in thousands):

	As of December 31, 2019		
	Gross carrying value	Accumulated amortization	Net carrying value
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Software	3,083	(344)	2,739
License	54,904	(22,710)	32,194
Others	9	(7)	2
Total	<u>57,996</u>	<u>(23,061)</u>	<u>34,935</u>

	As of December 31, 2020		
	Gross		Net
	carrying	Accumulated	carrying
	value	amortization	value
	RMB	RMB	RMB
Software	3,083	(653)	2,430
License	54,904	(33,857)	21,047
Others	9	(8)	1
Total	<u>57,996</u>	<u>(34,518)</u>	<u>23,478</u>

	As of December 31, 2021		
	Gross		Net
	carrying	Accumulated	carrying
	value	amortization	value
Software	3,083	(961)	2,122
License	54,904	(44,839)	10,065
Content	31,500	(3,150)	28,350
Brand name	25,000	(950)	24,050
Technology	4,000	(280)	3,720
Others	9	(8)	1
Total	<u>118,496</u>	<u>(50,188)</u>	<u>68,308</u>

Amortization expense was RMB11.2 million, RMB11.5 million and RMB15.7 million for the years ended December 31, 2019, 2020 and 2021, respectively. No impairment charge was recognized for any of the years presented.

As of December 31, 2021, estimated amortization expense for intangible assets subject to amortization is as follows (in thousands):

	RMB
2022	19,974
2023	9,908
2024	9,908
2025	9,908
2026	6,478
Thereafter	<u>12,132</u>
Total	<u>68,308</u>

9. Business combination

Prez Limited, a Cayman Islands company, through its subsidiaries and variable interest entity (collectively referred to as the “Pinzhi”), is a vocational training provider which mainly focuses on Chartered Financial Analyst and Certified Public Accountant examinations in the PRC. In July 2021, the Group acquired 55% equity interest in Pinzhi for an aggregate purchase price of RMB83.9 million, comprising cash and contingent consideration. Contingent consideration is subject to Pinzhi’s future operating results and initially and subsequently measured at fair value through profit and loss, which was classified as a liability in consolidated balance sheets. The remaining 45% shares held by the founder is subject to a 5 years’ service period. That is, if the founder left the Company within 5 years after the closing of the acquisition, Zhihu has the option to either exercise its redemption right or purchase the remaining 45% shares held by the founder without consideration. As such, the transaction was regarded as the Group has effectively acquired 100% of equity interests at the acquisition date with 45% equity interests granted to the founder as share-based compensation for the future service and a put option which was recognized as financial instruments measured at fair value.

The allocation of the purchase price as of the date of acquisition is summarized as follows (in thousands):

	<i>RMB</i>
Net liabilities acquired	(1,468)
Amortizable intangible assets	
Content	31,500
Brand name	13,000
Technology	1,600
Goodwill	50,833
Deferred tax liabilities	(11,525)
	<u>83,940</u>

Total purchase price comprised of (in thousands):

	<i>RMB</i>
Cash consideration	38,940
Contingent consideration at fair value	<u>45,000</u>
Total	<u>83,940</u>

Yincheng Limited, a Cayman Islands company, through its subsidiaries and variable interest entity (collectively referred to as the “Papa”), is a vocational training provider which mainly focuses on vocational language exam preparation courses under the Papa brand. In November 2021, the Group acquired 55% of the equity interest in Papa at an aggregate purchase price of RMB35.6 million, comprising cash consideration, contingent consideration

at fair value, and a direct capital injection. Contingent consideration is subject to Papa's future operating results and initially and subsequently measured at fair value through profit and loss, which was classified as a liability in consolidated balance sheets. The remaining 45% shares held by the founder is subject to a 6 years' service period. That is, if the founder left the Company within 6 years after the closing of the acquisition, Zhihu has the option to either exercise its redemption right or purchase the remaining 45% shares held by the founder without consideration. As such, the transaction was regarded as the Group has effectively acquired 100% of equity interests at the acquisition date with 45% equity interests granted to the founder as share-based compensation for the future service and a put option which was recognized as financial instruments measured at fair value.

The allocation of the purchase price as of the date of acquisition is summarized as follows (in thousands):

	<i>RMB</i>
Net assets acquired	1,945
Amortizable intangible assets	
Brand name	12,000
Technology	2,400
Goodwill	22,830
Deferred tax liabilities	(3,600)
	<u>35,575</u>

Total purchase price comprised of (in thousands):

	<i>RMB</i>
Cash consideration	13,875
Contingent consideration at fair value	15,700
Capital injection	6,000
Total	<u>35,575</u>

Goodwill arising from the above acquisition was attributable to the synergies expected from the combined operations of Pinzhi and the Company as well as Papa and the Company in the vocational education sector in the PRC. The Company does not expect the goodwill recognized to be deductible for income tax purposes.

Pro forma results of operations for the above acquisitions have not been presented because they were not material to the consolidated statements of operations and comprehensive loss for the year ended December 31, 2021, either individually or in aggregate.

10. Leases

The Group's leasing activities primarily consist of operating leases for offices. The Group adopted ASC 842 effective January 1, 2018. ASC 842 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet. The Group has applied practical expedient to not recognize short-term leases with lease terms of one year or less on the balance sheet.

As of December 31, 2019, 2020 and 2021, the Group recorded right-of-use assets of approximately RMB26.0 million, RMB3.2 million and RMB126.5 million and lease liabilities of approximately RMB25.6 million, RMB2.9 million and RMB122.7 million, respectively, for operating leases as a lessee.

Supplemental cash flow information related to operating leases was as follows (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cash payments for operating leases	24,354	22,316	38,532
Right-of-use assets obtained in exchange for operating lease liabilities	3,752	–	157,946

Future lease payments under operating leases as of December 31, 2021 were as follows (in thousands):

	As of December 31, 2021
	<i>RMB</i>
2022	46,410
2023	45,675
2024	37,803
2025	778
Total future lease payments	130,666
Less: imputed interest	(8,008)
Total lease liabilities	<u>122,658</u>

The weighted-average remaining lease term was 1.24 years, 1.00 year and 2.95 years as of December 31, 2019, 2020 and 2021, respectively.

The weighted-average discount rate used to determine the operating lease liability as of December 31, 2019, 2020 and 2021 was 4.75%, 4.75% and 4.75%, respectively.

Operating lease expenses for the years ended December 31, 2019, 2020 and 2021 was RMB26.8 million, RMB23.4 million and RMB38.7 million, respectively, which excluded expenses of short-term contracts. Short-term lease expenses for the years ended December 31, 2019, 2020 and 2021 were RMB0.6 million, RMB2.0 million and RMB0.5 million, respectively.

The right-of-use assets and lease liabilities in relation to the early terminated leases for the year ended December 31, 2019 were RMB5.1 million and RMB4.9 million, respectively. No lease contract was early terminated for the years ended December 31, 2020 and 2021.

11. Taxation

(a) Value-added tax (“VAT”)

The Group’s subsidiaries, consolidated VIE and VIE’ subsidiaries incorporated in China are subject to statutory VAT rate of 6% for services rendered and 9% or 13% for goods sold.

(b) Income taxes

Composition of income tax

The current income tax expenses for the years ended December 31, 2019, 2020 and 2021 were approximately RMB40,000, RMB1,080,000 and RMB5,443,000, respectively.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company in the Cayman Islands to their shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK\$2 million, and 16.5% on any part of assessable profits over HK\$2 million. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

China

On March 16, 2007, the National People’s Congress of PRC enacted the Enterprise Income Tax (“EIT”) Law, under which Foreign Invested Enterprises (“FIEs”) and domestic companies would be subject to EIT at a uniform rate of 25%. Preferential tax treatments will

continue to be granted to FIEs or domestic companies which conduct businesses in certain encouraged sectors and to entities otherwise classified as “Software Enterprises”, “Key Software Enterprises” and/or “High and New Technology Enterprises” (“HNTEs”). The Enterprise Income Tax Law became effective on January 1, 2008.

The aforementioned preferential tax rates are subject to annual review by the relevant tax authorities in China. One subsidiary of the Company was accredited as a HNTE in 2016, therefore it is entitled to a preferential income tax rate at 15% for three years starting from 2016. It continues to be qualified as a HNTE in 2019 annual review by the relevant tax authorities, therefore it is entitled to a preferential income tax rate at 15% for 2019, 2020 and 2021.

All other major PRC incorporated entities of the Group were subject to a 25% income tax rate for all the years presented.

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to claw back underpaid tax plus penalties and interest for PRC entities’ tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation.

The Company may also be subject to the examination of the tax filings in other jurisdictions, which are not material to the consolidated financial statements.

There were no ongoing examinations by tax authorities as of December 31, 2021.

The following table presents a reconciliation of the income tax expenses computed by the statutory income tax rate to the Group’s income tax expense of the year presented are as follows (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Income tax benefits at PRC statutory			
income tax rate	(251,045)	(129,117)	(323,359)
Permanent differences ⁽¹⁾	28,025	30,326	125,132
Effect of different tax jurisdiction	(2,321)	(2,574)	4,077
Effect of preferential tax rate	99,470	51,055	128,584
Change in deferred tax assets valuation			
allowance	125,911	51,390	71,009
Income tax expenses	<u>40</u>	<u>1,080</u>	<u>5,443</u>

(1) The permanent differences mainly consist of additional deduction for research and development expenditures and non-deductible expenses.

The following table sets forth the effect of preferential tax rate on the PRC operations (in thousands except per share data):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Tax holiday effect	99,470	51,055	128,584
Basic and diluted net loss per share effect	1.60	0.78	0.54

(c) *Deferred tax assets*

The following table presents the tax impact of significant temporary differences that give rise to the deferred tax assets and liabilities as of the years presented (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Deferred tax assets:			
Net operating tax loss carry forwards	228,154	284,300	345,744
Advertising and promotion expenses in excess of deduction limit	237,386	227,206	232,339
Provision of allowance for expected credit losses	3,048	7,008	14,570
Payroll and expense accrued	17,660	19,124	15,994
Less: valuation allowance	(486,248)	(537,638)	(608,647)
Total deferred tax assets, net	<u>–</u>	<u>–</u>	<u>–</u>

The following table sets forth the movement of the valuation allowances for deferred tax assets for the years presented (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Deferred tax assets:			
Balance as of January 1,	(360,337)	(486,248)	(537,638)
Change of valuation allowance	(125,911)	(51,390)	(71,009)
Balance as of December 31,	<u>(486,248)</u>	<u>(537,638)</u>	<u>(608,647)</u>

The tax losses of the Group expire over different time intervals depending on local jurisdiction. Certain entity's expiration year for tax losses has been extended from five years to ten years due to new tax legislation released in 2018. As of December 31, 2021, certain entities of the Group had net operating tax loss carry forwards, if not utilized, which would expire as follows (in thousands):

	<i>RMB</i> <i>(Unaudited)</i>
Loss expiring in 2023	17,153
Loss expiring in 2024	27,331
Loss expiring in 2025	67,626
Loss expiring after 2025	<u>1,989,567</u>
Total	<u><u>2,101,677</u></u>

(d) Withholding income tax

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign invested entity ("FIE") to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Such withholding income tax was exempted under the Previous EIT Law. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate that may be lowered to 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The State Taxation Administration ("STA") further promulgated Circular 601 on October 27, 2009, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance and that a beneficial ownership analysis will be used based on a "substance-over-form" principle to determine whether or not to grant the tax treaty benefits.

As of December 31, 2019, 2020 and 2021, the Company did not record any withholding tax on the retained earnings of its subsidiaries and VIEs in the PRC as they were still in accumulated deficit position.

12. Accounts Payable and Accrued Liabilities

An aging analysis of accounts payable and accrued liabilities is as follows (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
0-3 months	286,744	473,338	981,953
3-6 months	36	27,898	43,664
6-12 months	49	248	253
Over 1 year	212	364	664
Total	<u>287,041</u>	<u>501,848</u>	<u>1,026,534</u>

Accrued liabilities primarily reflect receipts of goods and services that have not yet been invoiced to the Group. When the Group is invoiced for these goods and services, this balance will be reclassified to accounts payable. Aging analysis of accounts payable has been presented based on invoice date and the amounts of accrued liabilities were categorized as 0-3 months.

13. Other Current Liabilities

The following is a summary of other current liabilities as of December 31, 2019, 2020 and 2021 (in thousands):

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Payable of deposits	7,661	17,394	28,234
Accrued VAT tax payable	17,367	32,688	52,675
Payable to the users	4,276	7,942	13,434
Payable of employee benefit	1,864	4,930	5,993
Consideration payable for acquisition	–	–	18,936
Others	4,885	1,982	8,175
Total	<u>36,053</u>	<u>64,936</u>	<u>127,447</u>

14. Contract Liabilities

Contract liabilities relate to the payments received for advertising services, paid content services and content-commerce solutions in advance of revenue recognition. The increase in contract liabilities over the prior year presented was a result of the increase in consideration received from the Group's customers, which was in line with the growth of revenues in advertising

service, content-commerce solutions, and paid membership service. Due to the generally short-term duration of the relevant contracts, the majority of the performance obligations are satisfied within one year. The amount of revenue recognized that was included in the contract liabilities balance at the beginning of the year was RMB64.2 million, RMB105.8 million and RMB138.6 million for the years ended December 31, 2019, 2020 and 2021, respectively.

15. Ordinary Shares

The Company was incorporated on May 17, 2011 with an authorized share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each, of which 10 ordinary shares had been issued. Zhihu Holdings Inc. and Innovation Works Holdings Limited, companies organized under the laws of the British Virgin Islands, held 80% and 20% of total equities of the Company, respectively.

After several issuances, share splits and repurchases of certain shares held by investors prior to 2019, the Company had 58,808,070 of ordinary shares issued and outstanding as of December 31, 2018.

In March 2021, the Company completed the IPO. Immediately prior to the completion of the IPO, the Company's authorized share capital was changed into US\$200,000 divided into 1,600,000,000 shares comprising (i) 1,500,000,000 Class A ordinary shares of a par value of US\$0.000125 each, (ii) 50,000,000 Class B ordinary shares of a par value of US\$0.000125 each, and (iii) 50,000,000 shares of a par value of US\$0.000125 each of such class or classes (however designated) as the board of directors may determine in accordance with the Company's post-offering memorandum and articles of association. Immediately prior to the completion of the IPO, all of the Company's issued and outstanding preferred shares and ordinary shares were converted into, and re-designated and re-classified, as Class A ordinary shares on a one-for-one basis, except that the 19,227,592 shares beneficially owned by Mr. Yuan Zhou continue to be Class B ordinary shares.

During the IPO, the Company sold a total of 55,000,000 ADSs, with two ADSs representing one Class A ordinary share of the Company with par value of US\$0.000125 per share. In addition, the Company sold and issued 13,157,892 Class A ordinary shares in the concurrent private placements to certain investors based on the IPO price of US\$9.50 per ADS. The Company received a total of approximately US\$737.1 million (RMB4.8 billion) of net proceeds after deducting the underwriter commissions and relevant offering expenses.

In April 2021, the underwriters exercised their option to purchase 259,904 additional ADSs and the Company received a total of approximately US\$2.3 million (RMB15.1 million) of net proceeds after deducting the underwriter commissions.

16. Preferred Shares

The following table summarizes the issuances of convertible redeemable preferred shares (collectively, "Preferred Shares").

<u>Series of Preferred Shares</u>	<u>Date of issuance</u>	<u>Total number of shares issued</u>	<u>Consideration per share</u>
			<i>US\$</i>
Series A	08/11/2011	37,858,584	0.26
Series B	05/05/2014	25,164,697	0.93
Series C	21/09/2015	27,935,316	2.17
Series D	08/12/2016	22,334,525	4.63
Series D1	22/03/2017	6,947,330	5.04
Series E	26/07/2018, 14/09/2018	27,267,380	9.89
Series F	07/08/2019	<u>34,677,872⁽ⁱ⁾</u>	12.52
Total		<u><u>182,185,704</u></u>	

(i) Including 11,985,440 Series F preferred shares legally issued in December 2020 upon the exercise of the warrant as discussed in Accounting of Preferred Shares.

The key terms of the preferred shares are as follows:

Conversion rights

Unless converted earlier pursuant to the provisions with respect to automatic conversion as set out below, preferred shares shall be convertible, at the option of the holder thereof, at any time into such number of fully paid and non-assessable Class A ordinary shares at an initial conversion ratio of 1:1, and thereafter shall be subject to adjustment and readjustment from time to time for (a) share splits and combination, (b) ordinary share dividends and distributions, (c) reorganizations, mergers, consolidations, reclassifications, exchanges, substitution, (d) dilutive issuance.

Each Preferred Shares shall automatically be converted, based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable Class A ordinary shares upon the earlier of (i) the consummation of the qualified initial public offering ("Qualified IPO"), or (ii) the date specified by the written consent of the majority Preferred Shareholders of each Preferred Shares.

Qualified IPO means a closing of an IPO on a stock exchange reasonably accepted to the majority Preferred Shareholders with the company's market capitalization, immediately after the offering of at least US\$4 billion.

Redemption rights

The shareholders of preferred shares may request redemption of all or any part of the then outstanding shares held, at any time after the occurrence of (i) if a Qualified IPO or a trade sale is not consummated within forty-two month period after the closing of Series F financing, or (ii) if any Preferred Shares are required to be redeemed by any preferred shareholder after the closing of Series F financing, or (iii) if there has been any change that does not allow or materially restricts the company to effectively control its structured entities as defined in Note 2 (b), or (iv) the occurrence of a material breach of the transaction documents by any of the Group, founders, co-founders and other parties specified in the transaction documents during the forty-two month period after the closing of Series F financing. The commencement date of term (i) mentioned above was originally five-year period after the issuance date of each preferred share and modified to forty-two-month period after the closing of Series F financing.

The redemption price of each share to be redeemed shall equal to (i) 150% of each series stated issue price, plus (ii) any accrued but unpaid dividends on such share, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations, or mergers.

Voting rights

Each Preferred Shares has voting rights equivalent to the number of Class A ordinary shares into which such Preferred Shares could be then convertible.

Dividend rights

Each preferred shareholder shall be entitled to receive the dividends on pro-rata basis according to the relative number of shares held by them on an as-converted basis, only when, as and if declared at the sole discretion of the Board and duly approved. The distribution sequence should be in the following order: Series F preferred shareholders, Series E preferred shareholders, Series D and/or Series D1 preferred shareholders, Series C preferred shareholders, Series B preferred shareholders, Series A preferred shareholders, ordinary shareholders.

Liquidation rights

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the assets and funds of the Company legally available for distribution to the shareholders shall be distributed to shareholders in the following manner and order:

Each preferred shareholder shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any previous preferred shares and ordinary shares, the amount equal to one hundred percent (100%) of

the original issue price on each preferred shares, plus all declared but unpaid dividends thereon up to the date of liquidation or otherwise agreed in the transaction documents. The liquidation preference amount will be paid to the Preferred Shareholders in the following order: first to holders of Series F Preferred Shares, second to holders of Series E Preferred Shares, third to holders of Series D/D1 Preferred Shares, fourth to holders of Series C Preferred Shares, fifth to holders of Series B Preferred Shares and lastly to holders of Series A Preferred Shares. After distributing or paying in full the liquidation preference amount to all of the Preferred Shareholders, the remaining assets of the Company available for distribution, if any, shall be distributed to the holders of ordinary shares and the Preferred Shareholders on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as converted basis. If the value of the remaining assets of the Company is less than aggregate liquidation preference amounts payable to the holders of a particular series of Preferred Shares, then the remaining assets of the Company shall be distributed pro rata amongst the holders of all outstanding Preferred Shares of that series.

Accounting of Preferred Shares

The Company has classified the Preferred Shares in the mezzanine equity of the consolidated balance sheets as they are contingently redeemable at the options of the holders. In addition, the Company records accretions on the Preferred Shares to the redemption value from the issuance dates to the earliest redemption dates. The accretions using the effective interest method, are recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit. Each issuance of the Preferred Shares is recognized at the respective fair value at the date of issuance net of issuance costs. The issuance costs for Series A, Series B, Series C, Series D, Series D1, Series E Preferred Shares and Series F Preferred Shares were RMB0.5 million, RMB0.5 million, RMB0.8 million, RMB6.1 million, RMB2.2 million, RMB35.0 million and RMB27.0 million, respectively.

The Company has determined that there was no beneficial conversion feature attributable to the Preferred Shares because the initial effective conversion prices of these Preferred Shares were higher than the fair value of the Company's ordinary shares determined by the Company taking into account independent valuations.

Pursuant to laws applicable to PRC entities incorporated in the PRC, PRC investors should complete its statutory filings and foreign exchange registrations for outbound investment, before such PRC entities can legally own offshore investments or equity interests in offshore entities. As such, all PRC shareholders of Zhihu Inc. must complete their relevant registrations and statutory filings, as appropriate, before they can, in accordance with applicable PRC laws, hold directly or indirectly any share of the Company, which is incorporated under the laws of the Cayman Islands. Certain Preferred Shareholder who made full payment of the purchase consideration holds warrant and one Preferred Share in the Company to reflect such holder's rights, obligations, and interests

in the Company as if such holder were holding all Preferred Shares of the Company issuable upon exercise of the warrant before such holder completes its necessary registration for outbound investment to exercise its warrant to purchase Preferred Shares of the Company. This was a transitional arrangement pending completion of necessary registration process by such holder. Once such holder completes the necessary registration for outbound investment, such holder is required to exercise the warrant immediately. Accordingly, the one Preferred Share was accounted for and represented based on the terms on all Preferred Shares of the Company issuable upon exercise of the warrant. Concurrently, the Group entered into a foreign exchange forward contract with the investor. The Group accounts for the foreign exchange forward contract and the warrant as derivative asset (included in other current assets), which was measured at fair value with the changes in the fair value recorded within other income/(expenses) in the consolidated statements of operations and comprehensive loss. The holder of the warrant has completed the relevant registration and filing, and exercised the warrant in December 2020. The underlying Preferred Shares have been legally issued accordingly.

The fair value of the derivative asset was categorized as Level 3 of fair value measurement. The following table sets forth the reconciliation of the fair value measurements of derivative asset (in thousands):

	Fair value measurements of derivative asset
	<i>RMB</i>
Beginning balance as of January 1, 2019	–
Change in fair value	7,132
Ending balance as of December 31, 2019	<u>7,132</u>
Beginning balance as of January 1, 2020	7,132
Change in fair value	(68,818)
Settlement of derivative asset	61,686
Ending balance as of December 31, 2020	<u>–</u>

The key inputs used in valuation of derivative asset as of December 31, 2019 were as follow.

	As of December 31, 2019
Forward foreign exchange rate	7.04
Risk-free interest rate	1.59
Expected term (in years)	0.98

Significant increases (decreases) in any of these inputs in isolation would have resulted in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the risk-free interest rate would have been accompanied by a directionally similar change in the assumption used for the expected term and a directionally opposite change in the assumption used for forward foreign exchange rate. In December 2020, the derivative asset has been settled at the foreign exchange rate of US\$1.00 = RMB6.53 accordingly.

Upon the completion of the IPO in March 2021, all of issued and outstanding Preferred Shares automatically converted into ordinary shares on a one-for-one basis.

The Company's preferred shares activities for the years ended December 31, 2019, 2020 and 2021, respectively, are summarized below (in thousands, except number of shares):

	Series A Preferred Shares		Series B Preferred Shares		Series C Preferred Shares		Series D Preferred Shares		Series D1 Preferred Shares		Series E Preferred Shares		Series F Preferred Shares		Mezzanine Equity	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Total number of shares	Total Amount
		RMB		RMB		RMB		RMB		RMB		RMB		RMB		RMB
Balance as of December 31, 2018	36,009,602	89,551	25,164,697	212,476	27,935,316	506,846	22,334,525	829,328	6,947,330	274,386	27,267,380	1,860,174	-	-	145,658,850	3,772,761
Issuance of Preferred Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	34,677,872	34,677,872	3,011,072
Accretion to Preferred Shares redemption value	-	-	-	7,927	-	34,935	-	63,557	-	21,870	-	176,521	-	-	-	426,781
Balance as of December 31, 2019	36,009,602	89,551	25,164,697	220,403	27,935,316	541,781	22,334,525	892,885	6,947,330	296,256	27,267,380	2,036,695	34,677,872	3,133,043	180,336,722	7,210,614
Balance as of December 31, 2020	36,009,602	89,551	25,164,697	220,403	27,935,316	541,781	22,334,525	892,885	6,947,330	296,256	27,267,380	2,036,695	34,677,872	3,133,043	180,336,722	7,210,614
Accretion to Preferred Shares redemption value	-	-	-	-	-	14,771	-	50,956	-	18,983	-	208,271	-	387,753	-	680,734
Balance as of December 31, 2020	36,009,602	89,551	25,164,697	220,403	27,935,316	556,552	22,334,525	943,841	6,947,330	315,239	27,267,380	2,244,966	34,677,872	3,520,796	180,336,722	7,891,348
Balance as of December 31, 2020	36,009,602	89,551	25,164,697	220,403	27,935,316	556,552	22,334,525	943,841	6,947,330	315,239	27,267,380	2,244,966	34,677,872	3,520,796	180,336,722	7,891,348
Accretion to Preferred Shares redemption value	-	-	-	-	-	3,524	-	12,390	-	4,634	-	51,967	-	98,070	-	170,585
Conversion of Preferred Shares to ordinary shares upon the completion of the IPO	(36,009,602)	(89,551)	(25,164,697)	(220,403)	(27,935,316)	(560,076)	(22,334,525)	(956,231)	(6,947,330)	(319,873)	(27,267,380)	(2,296,933)	(34,677,872)	(3,618,866)	(180,336,722)	(8,061,933)
Balance as of December 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

17. Share-based Compensation

In June 2012, the Company established a share incentive plan, which permits the grant of options, and restricted shares of the Company to relevant directors, officer and other employees of the Company and its affiliates. In December 2021, the maximum number of shares that may be issued under the 2012 incentive compensation plan was 44,021,165 Class A ordinary shares.

Under the Plan, during 2012 and 2013, options or restricted shares granted are subject to both service conditions and the occurrence of an initial public offering (“IPO”) as a performance condition, which are measured at the grant date fair value.

After 2013, participants are granted options or restricted shares which only vest if certain service conditions are met. Participation in the Plan is at the board’s discretion, and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits. Options issued under the Plan are valid and effective for 10 years from the grant date.

Majority of the share options shall be subject to different vesting schedules of three, three and a half or four years from the vesting commencement date, subject to the participant continuing to be an employee through each vesting date. For vesting schedule of three years, 25% of the granted share options are vested on the vesting commencement date; and 75% of the granted shares options are vested in equal monthly installments over the following thirty six (36) months. For vesting schedule of three and a half years, 25% of the granted share options are vested on the 6-month anniversary of the vesting commencement date; and 75% of the granted shares options are vested in equal monthly installments over the following thirty six (36) months. For vesting schedule of four years, 25% of the granted share options are vested on the first anniversary from the vesting commencement date; and 75% of the granted shares options are vested in equal monthly installments over the following thirty six (36) months or vested in equal yearly installments over the following three years.

Employees’ share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses (a) for share options granted with only service conditions, using the graded vesting method, net of actual forfeitures, over the vesting period; or (b) for share options granted with service conditions and performance condition, the share-based compensation expenses are recorded when the performance condition is considered probable using the graded vesting method. Where the occurrence of an IPO is a performance condition, cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the IPO.

Compensation expense related to options granted during 2012 and 2013 with a performance condition of an IPO were RMB6.3 million, for which the service condition had been met and were recognized when the performance target of an IPO was achieved in March 2021.

Share options activities

The following table presents a summary of the Company's options activities for the years ended December 31, 2019, 2020 and 2021:

	<u>Number of options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
	<i>(in thousands)</i>	<i>US\$</i>		<i>(US\$ in thousands)</i>
Outstanding as of January 1, 2019	22,722	0.78	7.73	88,678
Granted	5,360	2.28		
Repurchased	(288)	0.03		
Forfeited	<u>(1,546)</u>	2.21		
Outstanding as of December 31, 2019	<u>26,248</u>	1.01	7.22	159,818
Outstanding as of January 1, 2020	26,248	1.01	7.22	159,818
Granted	11,811	0.60		
Exercised	(500)	0.01		
Forfeited	<u>(1,699)</u>	2.22		
Outstanding as of December 31, 2020	<u>35,860</u>	0.84	7.33	339,953
Exercisable as of December 31, 2020	18,419	0.79	5.46	175,349
Outstanding as of January 1, 2021	35,860	0.84	7.33	339,953
Granted	1,846	2.14		
Exercised	(15,568)	0.40		
Forfeited	<u>(954)</u>	4.49		
Outstanding as of December 31, 2021	<u>21,184</u>	1.10	6.39	211,515
Exercisable as of December 31, 2021	9,483	1.47	3.58	91,167

The weighted-average fair value of granted share options was US\$5.31, US\$9.33 and US\$13.55 for the years ended December 31, 2019, 2020 and 2021, respectively. The total intrinsic value of share options exercised was US\$239.3 million for the year ended December 31, 2021.

Restricted shares activities

The following table presents a summary of the Company's restricted shares activities for the years ended December 31, 2019, 2020 and 2021:

	Number of restricted shares	Weighted Average Grant Date Fair Value
	<i>(in thousands)</i>	<i>(US\$)</i>
Unvested as of January 1, 2019	594	2.15
Vested	(311)	1.88
Forfeited	(69)	1.31
Unvested as of December 31, 2019	<u>214</u>	2.70
Unvested as of January 1, 2020	214	2.70
Vested	(123)	2.56
Unvested as of December 31, 2020	<u>91</u>	2.90
Unvested as of January 1, 2021	91	2.90
Grant	1,598	22.49
Vested	(81)	2.86
Forfeited	(127)	24.10
Unvested as of December 31, 2021	<u>1,481</u>	22.22

No restricted shares were granted in the years ended December 31, 2019 and 2020, respectively.

As of December 31, 2021, the weighted average remaining contractual life of outstanding restricted shares is 9.58 years.

Valuation

Prior to the completion of the initial public offering in the United States, the Company used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of each underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined, on a best estimate basis, by the Company.

After the completion of the initial public offering in the United States, the fair value of the share options is estimated based on the fair market value of the underlying ordinary shares of us at the grant date.

Based on fair value of the underlying ordinary share, the Company have used Binomial option-pricing model to determine the fair value of the share options as at the grant date. Key assumptions are set as below:

	Years ended December 31,		
	2019	2020	2021
Fair value per share			
(US\$)	\$6.27-7.08	\$7.42-10.32	\$25.02
Risk-free interest rate	1.92%-2.01%	0.70%-0.93%	1.44%
Expected volatility	53.78%-54.38%	54.94%-59.31%	54.85%-55.51%
Expected term (in years)	10	10	10
Dividend yield	0.00%	0.00%	0.00%

The expected volatility at the grant date and each option valuation date was estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable peer companies with a time horizon close to the expected expiry of the term of the options. The Company has never declared or paid any cash dividends on its capital stock, and the Group does not anticipate any dividend payments in the foreseeable future. Expected term is the contractual life of the options. The Group estimated the risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in US\$ at the option valuation date.

The total expenses recognized in profit or loss in respect of the share-based compensation under for the Plan was RMB179.7 million, RMB180.1 million and RMB541.0 million, for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2021, total unrecognized compensation expenses under the Plans granted after 2013 were US\$75.8 million, which is expected to be recognized over a weighted average period of 2.65 years.

In 2019, and on an exceptional basis (no prior like history), the Group has repurchased the options from a small number of members of senior management. The Group has determined that this event (which did not result pursuant to a preexisting right of the Company) did not create a reasonable expectation for the Company to settle remaining share-based awards in cash, therefore all the remaining share-based awards are still classified as equity-settled awards.

18. Net Loss Per Share

Basic and diluted loss per share have been calculated in accordance with ASC260 for the years ended December 31, 2019, 2020 and 2021. Shares issuable for little consideration have been included in the number of outstanding shares used for basic loss per share.

	Years Ended December 31,		
	2019	2020	2021
Numerator (RMB in thousands):			
Net loss	(1,004,220)	(517,550)	(1,298,880)
Accretions of preferred shares to redemption value	(426,781)	(680,734)	(170,585)
Net loss attributable to ordinary shareholders	<u>(1,431,001)</u>	<u>(1,198,284)</u>	<u>(1,469,465)</u>
Denominator:			
Weighted average number of ordinary shares outstanding, basic	62,249,946	65,279,970	240,174,108
Weighted average number of ordinary shares outstanding, diluted	62,249,946	65,279,970	240,174,108
Net loss per share, basic (RMB)	(22.99)	(18.36)	(6.12)
Net loss per share, diluted (RMB)	(22.99)	(18.36)	(6.12)

Basic and diluted loss per ordinary share are computed using the weighted average number of ordinary shares outstanding during the year. Both Class A and Class B ordinary shares are included in the calculation of the weighted average number of ordinary shares outstanding, basic and diluted.

The following ordinary shares equivalents were excluded from the computation of dilutive net loss per share to eliminate any antidilutive effect:

	Years Ended December 31,		
	2019	2020	2021
Preferred shares	159,625,007	180,336,722	–
Share options	13,994,318	15,922,419	24,368,217
	<u>173,619,325</u>	<u>196,259,141</u>	<u>24,368,217</u>

19. Commitments and Contingencies*Commitments*

Upon the adoption of ASC 842, future minimum lease payments for operating lease as of December 31, 2019, 2020 and 2021 are disclosed in Note 10.

Litigation

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. Based on currently available information, management does not believe that the ultimate outcome of any unresolved matters, individually and in the aggregate, is reasonably possible to have a material adverse effect on the Group's financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis. The Group has not recorded any material liabilities in this regard as of December 31, 2019, 2020 and 2021.

20. Related Party Transactions

During the years presented, other than disclosed elsewhere, the Group mainly had the following related party transactions:

<u>Names of the major related parties</u>	<u>Nature of relationship</u>
Tencent Holdings Limited and its subsidiaries (the "Tencent Group")	Shareholder of the Company
Baidu, Inc. and its subsidiaries (the "Baidu Group")	Shareholder of the Company
Kuaishou Technology and its subsidiary (the "Kuaishou Group")	Shareholder of the Company

(a) Significant transactions with related parties

(All amounts in thousands)

	<u>Years Ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Purchasing service from related parties			
Tencent Group ⁽ⁱ⁾	154,256	77,254	110,849
Baidu Group ⁽ⁱⁱ⁾	24,972	48,656	142,345
Kuaishou Group	–	–	2,179
Total	<u>179,228</u>	<u>125,910</u>	<u>255,373</u>

	Years Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Providing service to related parties ⁽ⁱⁱⁱ⁾			
Tencent Group	8,411	12,569	10,876
Baidu Group	634	17,171	19,731
Kuaishou Group	–	7,412	7,864
Total	9,045	37,152	38,471

- (i) Service purchased from Tencent Group primarily related to cloud and bandwidth services.
- (ii) Service purchased from Baidu Group primarily related to marketing services and cloud and bandwidth services.
- (iii) Service provided to related parties mainly referred to advertising service provided to Tencent Group, Baidu Group and Kuaishou Group.

(b) Balances with related parties

(All amounts in thousands)

	Years Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Amount due from related parties			
Tencent Group	4,872	7,447	8,763
Baidu Group	1,059	3,923	6,435
Kuaishou Group	–	2,473	2,998
Total	5,931	13,843	18,196
Amount due to related parties			
Tencent Group	95,384	41,523	67,370
Baidu Group	801	4,460	14,581
Kuaishou Group	–	–	1,640
Total	96,185	45,983	83,591

The transactions and balances with related parties are all trade in nature.

21. Segment Information

The Group's organizational structure is based on a number of factors that the CODM uses to evaluate, view and run its business operations which include, but not limited to, customer base, products and technology. The Group's operating segments are based on such organizational structure and information reviewed by the Group's CODM to evaluate the operating segment results. The Group has internal reporting of revenue, cost and expenses by nature as a whole. Hence, the Group has only one operating segment. Key revenues streams are as below (in thousands):

	Years Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Advertising service	577,424	843,284	1,160,886
Paid membership service	87,997	320,471	668,507
Content-commerce solutions	641	135,813	973,986
Others	4,449	52,628	155,945
Total	<u>670,511</u>	<u>1,352,196</u>	<u>2,959,324</u>

All revenues are derived from China based on the geographical locations where services are provided to customers. In addition, the Group's long-lived assets are all located in China, and the amount of long-lived assets attributable to any individual other country is not material. Therefore, no geographical segments are presented.

22. Restricted Net Assets

Relevant PRC laws and regulations permit PRC companies to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, the Company's PRC subsidiaries and VIE can only distribute dividends upon approval of the shareholders after they have met the PRC requirements for appropriation to the general reserve fund and the statutory surplus fund respectively. The general reserve fund and the statutory surplus fund require that annual appropriations of 10% of net after-tax income should be set aside prior to payment of any dividends. As a result of these and other restrictions under PRC laws and regulations, the PRC subsidiaries and VIE are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB143.5 million, RMB754.4 million and RMB3,573.1 million of the Company's total consolidated net assets, as of December 31, 2019, 2020 and 2021, respectively. Even though the Company currently does not require any dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries, the VIE and its subsidiaries to satisfy any obligations of the Company.

23. Additional Information – Parent Company Only Condensed Financial Information

The Company performed a test on the restricted net assets of subsidiaries and VIE in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), “General Notes to Financial Statements” and concluded that the condensed financial information of the Company is required to be presented. The Company did not have significant capital and other commitments, or guarantees as of December 31, 2019, 2020 and 2021.

(a) Condensed balance sheets of Zhihu Inc.

(All amounts in thousands, except for share and per share data)

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
ASSETS			
Current assets:			
Cash and cash equivalents	85,748	6,834	94,427
Term deposits	348,810	–	–
Prepayments and other current assets	10,485	183	42,232
Amounts due from related parties	1,041,230	11,530	12,711
Total current assets	<u>1,486,273</u>	<u>18,547</u>	<u>149,370</u>
Non-current assets:			
Investments in subsidiaries and VIEs and VIEs’ subsidiaries	1,761,067	2,760,778	6,666,713
Total non-current assets	<u>1,761,067</u>	<u>2,760,778</u>	<u>6,666,713</u>
Total assets	<u><u>3,247,340</u></u>	<u><u>2,779,325</u></u>	<u><u>6,816,083</u></u>
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDER’S DEFICITS			
Current liabilities:			
Accounts payable and accrued liabilities	95	5,500	30,828
Amounts due to subsidiaries and VIEs and VIEs’ subsidiaries	28,872	26,952	54,601
Total current liabilities	<u>28,967</u>	<u>32,452</u>	<u>85,429</u>
Total liabilities	<u>28,967</u>	<u>32,452</u>	<u>85,429</u>
Mezzanine equity	<u>7,210,614</u>	<u>7,891,348</u>	<u>–</u>

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Shareholders' deficit:			
Ordinary shares, US\$0.000125 par value	46	46	241
Additional paid-in capital	–	–	13,350,347
Accumulated other comprehensive loss	(52,602)	(195,928)	(339,118)
Accumulated deficit	(3,939,685)	(4,948,593)	(6,280,816)
Total shareholders' (deficit)/equity	<u>(3,992,241)</u>	<u>(5,144,475)</u>	<u>6,730,654</u>
Total liabilities, mezzanine equity and shareholders' (deficit)/equity	<u>3,247,340</u>	<u>2,779,325</u>	<u>6,816,083</u>

(b) *Condensed statements of operations and comprehensive loss of Zhihu Inc.*

(All amounts in thousands, except for share and per share data)

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Operating expenses:			
General and administrative expenses	(14,369)	(13,914)	(30,019)
Total operating expenses	<u>(14,369)</u>	<u>(13,914)</u>	<u>(30,019)</u>
Loss from operations	<u>(14,369)</u>	<u>(13,914)</u>	<u>(30,019)</u>
Other income/(expenses):			
Fair value change of financial instrument	7,132	(68,818)	–
Interest income	11,102	3,244	123
Exchange (losses)/gains	(7,966)	69,650	(523)
Share of loss of subsidiaries and VIEs and VIEs' subsidiaries	(1,000,119)	(507,712)	(1,268,461)
Net loss	<u>(1,004,220)</u>	<u>(517,550)</u>	<u>(1,298,880)</u>
Accretions of convertible redeemable preferred shares to redemption value	(426,781)	(680,734)	(170,585)
Net loss attributable to Zhihu Inc.'s shareholders	<u>(1,431,001)</u>	<u>(1,198,284)</u>	<u>(1,469,465)</u>

	As of December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net loss	(1,004,220)	(517,550)	(1,298,880)
Other comprehensive loss:			
Foreign currency translation adjustments	(4,021)	(143,326)	(143,190)
Total other comprehensive loss	(4,021)	(143,326)	(143,190)
Total comprehensive loss	(1,008,241)	(660,876)	(1,442,070)
Accretions of convertible redeemable preferred shares to redemption value	(426,781)	(680,734)	(170,585)
Comprehensive loss attributable to Zhihu Inc.'s shareholders	<u>(1,435,022)</u>	<u>(1,341,610)</u>	<u>(1,612,655)</u>

(c) *Condensed statements of cash flows of Zhihu Inc.*

(All amounts in thousands, except for share and per share data)

	Years Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net cash used in operating activities	(10,722)	(2,606)	(3,182)
Net cash used in investing activities	(1,912,681)	(71,858)	(4,714,389)
Net cash provided by financing activities	1,990,723	–	4,868,837
Effect of exchange rate changes on cash and cash equivalents	(1,270)	(4,450)	(63,673)
Net increase/(decrease) in cash and cash equivalents	66,050	(78,914)	87,593
Cash and cash equivalents at beginning of year	19,698	85,748	6,834
Cash and cash equivalents at ending of year	<u>85,748</u>	<u>6,834</u>	<u>94,427</u>

Basis of presentation

The Company's accounting policies are the same as the Group's accounting policies with the exception of the accounting for the investments in subsidiaries and VIEs.

For the parent company only condensed financial information, the Company records its investments in subsidiaries and VIEs under the equity method of accounting as prescribed in ASC 323, Investments – Equity Method and Joint Ventures.

Such investments are presented on the condensed balance sheets as “Investments in subsidiaries, VIEs and VIEs' subsidiaries” and shares in the subsidiaries and VIEs' loss are presented as “Equity in loss of subsidiaries, VIEs and VIEs' subsidiaries” in the condensed statements of comprehensive loss. The parent company only condensed financial information should be read in conjunction with the Historical Financial Information.

24. Subsequent Event

On March 30, 2022, the Group granted a share award of 9,621,477 Class A Ordinary Shares to Mr. Zhou (the “CEO Award Shares”). Mr. Zhou has undertaken and covenanted that, unless and until the performance results targets set by the audit committee of the Board have been met, (a) he (including any intermediary through which he holds the CEO Award Shares) shall not offer, pledge, sell, contract to sell, lend, or otherwise transfer or dispose of, directly or indirectly, any interest in the CEO Award Shares; and (b) he will cast votes of all of the CEO Award Shares at shareholder meetings of the Company or with respect to written resolution of shareholders of the Company in the manner consistent with the views and suggestions of the Board, which shall be determined in the best interest of the Company; he will abstain from voting if no such view or suggestion is formulated by the Board as a whole. In addition, the options granted to Mr. Zhou in December 2020 was approved to be fully vested on March 30, 2022.

25. Directors' Remuneration

Directors' remuneration disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows (in thousands):

	Years Ended December 31,		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Fees	–	–	609
Basic salaries, housing fund, allowances and benefits in kind	554	552	4,954
Employer's contributions to a retirement benefit scheme	50	15	116
Discretionary bonuses	502	473	1,930
Share-based compensation expenses	7,228	26,379	311,895
Total	8,334	27,419	319,504

The director received emoluments from the Group for the year ended December 31, 2019 as follows (in thousands):

<u>Name</u>	<u>Basic salaries, housing fund, allowances and benefits in kind</u>	<u>Employer's contributions to a retirement benefit scheme</u>	<u>Discretionary bonuses</u>	<u>Share-based compensation expenses</u>	<u>Total</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Yuan Zhou ⁽ⁱ⁾	554	50	502	7,228	8,334

The director received emoluments from the Group for the year ended December 31, 2020 as follows (in thousands):

<u>Name</u>	<u>Basic salaries, housing fund, allowances and benefits in kind</u>	<u>Employer's contributions to a retirement benefit scheme</u>	<u>Discretionary bonuses</u>	<u>Share-based compensation expenses</u>	<u>Total</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Yuan Zhou ⁽ⁱ⁾	552	15	473	26,379	27,419

The directors received emoluments from the Group for the year ended December 31, 2021 as follows (in thousands):

<u>Name</u>	<u>Fees</u>	<u>Basic salaries, housing fund, allowances and benefits in kind</u>	<u>Employer's contributions to a retirement benefit scheme</u>	<u>Discretionary bonuses</u>	<u>Share-based compensation expenses</u>	<u>Total</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Executive						
directors						
Yuan Zhou (i)	–	2,025	58	660	286,330	289,073
Dahai Li (xiii)	–	1,316	29	560	14,892	16,797
Wei Sun (xiv)	–	1,613	29	710	10,673	13,025
Independent						
non-executive						
directors						
Hanhui Sam						
Sun (xv)	353	–	–	–	–	353
Hope Ni (xv)	256	–	–	–	–	256
Total	<u>609</u>	<u>4,954</u>	<u>116</u>	<u>1,930</u>	<u>311,895</u>	<u>319,504</u>

- (i) Yuan Zhou is the founder, chairman of the Board and chief executive officer of the Company and was appointed as the Director since May 2011.
- (ii) Hua Wang was appointed as non-executive director of the Company since May 2011 and resigned from its position in March 2021. No remuneration was paid by the Group for the years ended December 31, 2019, 2020 and 2021.
- (iii) Dong Yang was appointed as non-executive director of the Company since May 2014 and resigned from its position in August 2019. No remuneration was paid by the Group for the years ended December 31, 2019, 2020 and 2021.
- (iv) Zhaohui Li was appointed as non-executive director of the Company since September 2015 and no remuneration was paid by the Group for the years ended December 31, 2019, 2020 and 2021.
- (v) JP Gan was appointed as non-executive director of the Company since November 2016 and resigned from its position in June 2019. No remuneration was paid by the Group for the years ended December 31, 2019, 2020 and 2021.
- (vi) Xin Xu was appointed as non-executive director of the Company since December 2016 and resigned from its position in March 2021. No remuneration was paid by the Group for the years ended December 31, 2019, 2020 and 2021.
- (vii) Ping Nan was appointed as non-executive director of the Company since July 2018 and resigned from its position in February 2020. No remuneration was paid by the Group for the years ended December 31, 2019, 2020 and 2021.
- (viii) Jing Wu was appointed as non-executive director of the Company since June 2019 and resigned from its position in March 2021. No remuneration was paid by the Group for the years ended December 31, 2019, 2020 and 2021.
- (ix) Chen Wang was appointed as non-executive director of the Company since August 2019 and resigned from its position in November 2020. No remuneration was paid by the Group for the years ended December 31, 2019, 2020 and 2021.
- (x) Jianwen Yang was appointed as non-executive director of the Company since August 2019 and resigned from its position in March 2021. No remuneration was paid by the Group for the years ended December 31, 2019, 2020 and 2021.
- (xi) Xuxu Wang was appointed as non-executive director of the Company since August 2020 and resigned from its position in March 2021. No remuneration was paid by the Group for the years ended December 31, 2020 and 2021.

- (xii) Jiatong Peng was appointed as non-executive director of the Company since November 2020 and no remuneration was paid by the Group for the year ended December 31, 2020 and 2021.
- (xiii) Dahai Li is the chief technology officer and was appointed as executive Director since March 25, 2021.
- (xiv) Wei Sun is the chief financial officer and was appointed as executive Director since March 25, 2021.
- (xv) Hanhui Sam Sun and Hope Ni were appointed as independent non-executive Directors since March 25, 2021.

26. Five Highest-Paid Employees

The five highest-paid employees for the years ended December 31, 2019, 2020 and 2021 included the following number of directors and non-directors:

	Years Ended December 31,		
	2019	2020	2021
Directors	–	1	2
Non-directors	5	4	3
Total	5	5	5

Details of the remuneration for the years ended December 31, 2019, 2020 and 2021 of the five highest-paid employees who are non-directors (the “Non-director Individuals”) were as follows (in thousands):

	Years Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
Basic salaries, housing fund, allowances and benefits in kind	3,241	2,540	6,283
Employer’s contributions to a retirement benefit scheme	215	53	129
Discretionary bonuses	2,356	1,700	2,020
Share-based compensation expenses	105,719	92,600	69,475
Total	111,531	96,893	77,907

The number of Non-director Individuals whose remuneration fell within the following bands is as follows:

	Years Ended December 31,		
	2019	2020	2021
HK\$10,000,000 to HK\$10,500,000	2	–	–
HK\$10,500,001 to HK\$20,000,000	1	2	–
HK\$20,500,001 to HK\$30,000,000	1	–	2
HK\$40,500,001 to HK\$50,000,000	–	2	1
HK\$80,000,001 to HK\$80,500,000	1	–	–
Total	<u>5</u>	<u>4</u>	<u>3</u>

During the years ended December 31, 2019, 2020 and 2021, no remuneration was paid by the Group to any directors or Non-director Individuals as an inducement to join the Group or as compensation for loss of office. Additionally, none of the directors or Non-director Individuals have waived any remuneration during the years ended December 31, 2019, 2020 and 2021.

27. Reconciliation between U.S. GAAP and International Financial Reporting Standards

The Historical Financial Information is prepared in accordance with U.S. GAAP, which differs in certain respects from International Financial Reporting Standards ("IFRS"). The effects of material differences between the Historical Financial Information prepared under U.S. GAAP and IFRS are as follows (in thousands):

Consolidated Statements of Operations and Comprehensive Loss (Extract)	Year ended December 31, 2019					
	Amounts as reported under US GAAP	IFRS adjustments				Amounts as reported under IFRS
	RMB	Classification and measurement of preferred shares (Note(a)) RMB	Issuance costs (Note(b)) RMB	Operating leases (Note(c)) RMB	Share-based compensation (Note(d)) RMB	RMB
Cost of revenues	(358,241)	-	-	-	158	(358,083)
Selling and marketing expenses	(766,465)	-	-	-	407	(766,058)
Research and development expenses	(351,012)	-	-	-	716	(350,296)
General and administrative expenses	(253,268)	-	-	1,501	3,208	(248,559)
Fair value change of financial instrument	7,132	(2,539,500)	-	-	-	(2,532,368)
Finance cost	-	-	(26,490)	(1,653)	-	(28,143)
Net loss	(1,004,220)	(2,539,500)	(26,490)	(152)	4,489	(3,565,873)
Accretions of convertible redeemable preferred shares to redemption value	(426,781)	426,781	-	-	-	-
Net loss attributable to Zhihu Inc.'s shareholders	(1,431,001)	(2,112,719)	(26,490)	(152)	4,489	(3,565,873)
Other comprehensive income/(loss):						
- Foreign currency translation adjustments	(4,021)	(125,266)	(470)	-	-	(129,757)
- Convertible redeemable preferred shares' fair value change due to own credit risk	-	61,079	-	-	-	61,079

Year ended December 31, 2020

Consolidated Statements of Operations and Comprehensive Loss (Extract)	Amounts	IFRS adjustments				Amounts
	as reported					as reported
	under US	Classification	Operating	Share-based	under	
GAAP	and	leases	compensation	IFRS		
	measurement of	costs	costs	IFRS		
	preferred shares	(Note(b))	(Note(c))	(Note(d))		
	(Note(a))	(Note(b))	(Note(c))	(Note(d))		
	RMB	RMB	RMB	RMB		
	RMB	RMB	RMB	RMB		
Cost of revenues	(594,399)	-	-	(332)	(594,731)	
Selling and marketing expenses	(734,753)	-	-	(977)	(735,730)	
Research and development expenses	(329,763)	-	-	(78)	(329,841)	
General and administrative expenses	(296,162)	-	1,355	(8,773)	(303,580)	
Fair value change of financial instrument	(68,818)	(3,199,287)	-	-	(3,268,105)	
Finance cost	-	-	(627)	-	(627)	
Net loss	(517,550)	(3,199,287)	728	(10,160)	(3,726,269)	
Accretions of convertible redeemable preferred shares to redemption value	(680,734)	680,734	-	-	-	
Net loss attributable to Zhihu Inc.'s shareholders	(1,198,284)	(2,518,553)	728	(10,160)	(3,726,269)	
Other comprehensive income/(loss):						
- Foreign currency translation adjustments	(143,326)	969,102	-	-	825,776	
- Convertible redeemable preferred shares' fair value change due to own credit risk	-	(59,757)	-	-	(59,757)	

Year ended December 31, 2021

Consolidated Statement of Operations and Comprehensive Loss (Extract)	Amounts	IFRS adjustments				Amounts
	as reported					as reported
	under US GAAP	Classification and measurement of preferred shares (Note(a))	Issuance costs (Note(b))	Operating leases (Note(c))	Share- based compensation (Note(d))	under IFRS
	RMB	RMB	RMB	RMB	RMB	RMB
Cost of revenues	(1,405,423)	-	-	-	890	(1,404,533)
Selling and marketing expenses	(1,634,733)	-	-	-	(64)	(1,634,797)
Research and development expenses	(619,585)	-	-	-	4,544	(615,041)
General and administrative expenses	(690,292)	-	(49,602)	2,648	(641)	(737,887)
Fair value change of financial instrument	27,846	(7,674,581)	-	-	-	(7,646,735)
Finance cost	-	-	-	(4,295)	-	(4,295)
Net loss	(1,298,880)	(7,674,581)	(49,602)	(1,647)	4,729	(9,019,981)
Accretions of convertible redeemable preferred shares to redemption value	(170,585)	170,585	-	-	-	-
Net loss attributable to Zhihu Inc.'s shareholders	(1,469,465)	(7,503,996)	(49,602)	(1,647)	4,729	(9,019,981)
Other comprehensive loss:						
- Foreign currency translation adjustments	(143,190)	(180,922)	-	-	-	(324,112)
- Convertible redeemable preferred shares' fair value change due to own credit risk	-	(87,727)	-	-	-	(87,727)

As of December 31, 2019

Consolidated Balance Sheets (Extract)	Amounts as reported under US GAAP	IFRS adjustments				Amounts as reported under IFRS
	RMB	Classification and measurement of preferred shares (Note(a))	Issuance costs (Note(b))	Operating leases (Note(c))	Share-based compensation (Note(d))	RMB
Right-of-use assets	25,985	-	-	(893)	-	25,092
Total assets	3,984,306	-	-	(893)	-	3,983,413
Convertible redeemable preferred shares	-	12,258,046	-	-	-	12,258,046
Total liabilities	765,933	12,258,046	-	-	-	13,023,979
Total mezzanine equity	7,210,614	(7,282,646)	72,032	-	-	-
Additional paid-in capital	-	278,972	-	-	(3,757)	275,215
Accumulated other comprehensive income/(loss)	(52,602)	(143,121)	(1,639)	-	-	(197,362)
Accumulated deficit	(3,939,685)	(5,111,251)	(70,393)	(893)	3,757	(9,118,465)
Total shareholders' deficit	(3,992,241)	(4,975,400)	(72,032)	(893)	-	(9,040,566)

As of December 31, 2020

Consolidated Balance Sheets (Extract)	Amounts as reported under US GAAP	IFRS adjustments				Amounts as reported under IFRS
	RMB	Classification and measurement of preferred shares (Note(a)) RMB	Issuance costs (Note(b)) RMB	Operating leases (Note(c)) RMB	Share-based compensation (Note(d)) RMB	RMB
Right-of-use assets	3,241	-	-	(165)	-	3,076
Total assets	3,761,441	-	-	(165)	-	3,761,276
Convertible redeemable preferred shares	-	14,547,988	-	-	-	14,547,988
Total liabilities	1,014,568	14,547,988	-	-	-	15,562,556
Total mezzanine equity	7,891,348	(7,963,380)	72,032	-	-	-
Additional paid-in capital	-	468,348	-	-	6,403	474,751
Accumulated other comprehensive income/(loss)	(195,928)	766,224	(1,639)	-	-	568,657
Accumulated deficit	(4,948,593)	(7,819,180)	(70,393)	(165)	(6,403)	(12,844,734)
Total shareholders' deficit	(5,144,475)	(6,584,608)	(72,032)	(165)	-	(11,801,280)

As of December 31, 2021

Consolidated Balance Sheets (Extract)	Amounts as reported under US GAAP	IFRS adjustments				Amounts as reported under IFRS
	RMB	Classification and measurement of preferred shares (Note(a))	Issuance costs (Note(b))	Operating leases (Note(c))	Share-based compensation (Note(d))	RMB
Prepayments and other current assets	272,075	-	(21,874)	-	-	250,201
Right-of-use assets	126,512	-	-	(1,812)	-	124,700
Total assets	8,805,165	-	(21,874)	(1,812)	-	8,781,479
Additional paid-in capital	13,350,347	14,962,843	99,760	-	1,674	28,414,624
Accumulated other comprehensive income/(loss)	(339,118)	497,575	(1,639)	-	-	156,818
Accumulated deficit	(6,280,816)	(15,460,418)	(119,995)	(1,812)	(1,674)	(21,864,715)
Total shareholders' equity	6,738,149	-	(21,874)	(1,812)	-	6,714,463

(a) Classification and measurement of preferred shares

Under U.S. GAAP, the preferred shares of the Company are accounted for as mezzanine equity. The mezzanine equity is initially recognized at the respective fair value at the date of issuance net of issuance costs and subsequently accreted to the redemption value of each series of preferred shares from the issuance dates to the earliest redemption dates. The accretions using the effective interest method, are recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit.

Under IFRS, the preferred shares, which are contingently redeemable at the option of the holder, are classified as financial liabilities. The convertible redeemable preferred shares are designated as financial liabilities at fair value through profit or loss, which are initially and subsequently measured at fair value. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income/(loss); and the remaining amount of change in the fair value of the liability is presented in profit or loss.

Due to the difference in classification of preferred shares under U.S. GAAP and IFRS, the reconciliation includes the decrease of mezzanine equity of RMB7,282.6 million, RMB7,963.4 million and nil as of December 31, 2019, 2020 and 2021, respectively. In relation to the accretions of mezzanine equity under U.S. GAAP, the reconciliation includes the decrease of accretions of RMB426.8 million, RMB680.7 million and RMB170.6 million in the consolidated statements of operations and comprehensive loss for each of the years ended December 31, 2019, 2020 and 2021, respectively and also increase in additional paid-in capital of RMB179.7 million, RMB369.0 million and RMB506.3 million and decrease in accumulated deficit, for the accretion impact that exhausted the additional paid-in capital, of RMB682.1 million, RMB1,173.5 million and RMB1,206.8 million in the consolidated balance sheets as of December 31, 2019, 2020 and 2021, respectively.

In regard of the classification of financial liability under IFRS, the reconciliation includes the increase of convertible redeemable preferred shares of RMB12,258.0 million, RMB14,548.0 million and nil in the consolidated balance sheets as of December 31, 2019, 2020 and 2021, respectively. Thus, the reconciliation also includes the fair value loss of the convertible redeemable preferred shares of RMB2,539.5 million, RMB3,199.3 million and RMB7,674.6 million in profit or loss and the fair value change that is attributable to changes in the credit risk of the convertible redeemable preferred shares of RMB61.1 million, RMB59.8 million and RMB87.7 million in the other comprehensive income/(loss) in the consolidated statements of operations and comprehensive loss for each of the years ended December 31, 2019, 2020 and 2021, respectively.

In addition, the mezzanine equity under U.S. GAAP was translated at historical exchange rates while the financial liability under IFRS was translated at the exchange rates on the balance sheets dates. Thus, the reconciliation includes the currency translation differences of RMB125.3 million, RMB969.1 million and RMB180.9 million in the other comprehensive income/(loss) in the consolidated statements of operations and comprehensive loss for each of the years ended December 31, 2019, 2020 and 2021, respectively.

All the preferred shares of the Company were converted into ordinary shares upon the completion of IPO in March 2021.

Before January 1, 2019, the Company repurchased certain Preferred Shares. Under U.S. GAAP, the difference between the repurchase price and the carrying value of those preferred shares was recorded against additional paid-in capital. Under IFRS, the accounting impact in relation to the repurchasing preferred shares was included in the accumulated deficit.

Accordingly, the reconciliation includes an increase of RMB99.3 million, RMB99.3 million and RMB99.3 million in additional paid-in capital and increase of RMB46.6 million, RMB46.6 million and RMB46.6 million in accumulated deficit as of December 31, 2019, 2020 and 2021, respectively.

(b) Issuance costs

(i) Issuance cost in relation to IPO

Under U.S. GAAP, specific incremental costs considered directly attributable to the offering of equity securities (“issuance costs”) may be deferred and capitalized against the gross proceeds of the offering.

Under IFRS, only those issuance costs considered directly attributable to the issuance of new shares to investors can be capitalized. Those issuance costs considered directly attributable to the listing of existing shares on a stock exchange are not considered transaction costs that qualify for capitalization. Such costs should be expensed as incurred instead.

Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of operations and comprehensive loss of nil, nil and RMB49.6 million for each of the years ended December 31, 2019, 2020 and 2021, respectively, in relation to the issuance costs incurred during the listing of the Company’s ADSs in the United States in March 2021 and proposed listing of the Company’s shares in Hong Kong.

The reconciliation also includes a decrease of prepayments and other current assets of nil, nil and RMB21.9 million, an increase of additional paid-in capital of nil, nil and RMB27.7 million, and difference in accumulated deficit of nil, nil and RMB49.6 million as of December 31, 2019, 2020 and 2021, respectively.

(ii) Issuance cost in relation to issuance of Preferred Shares

Under U.S. GAAP, each issuance of the Preferred Shares is recognized at the respective fair value at the date of issuance net of issuance costs.

Under IFRS, directly attributable transaction costs in relation to the issuance of Preferred Shares are expenses as incurred that recognized as finance costs in the consolidated statements of operations and comprehensive loss.

Accordingly, the reconciliation includes an increase of RMB26.5 million in finance cost for the year ended December 31, 2019, an increase of RMB70.4 million, RMB70.4 million and RMB70.4 million in accumulated deficit, increase of RMB72.0 million, RMB72.0 million and nil in mezzanine equity and increase of nil, nil and RMB72.0 million in additional paid in capital as of December 31, 2019, 2020 and 2021, respectively.

(c) Operating leases

Under U.S. GAAP, for operating leases, the amortization of right-of-use assets and the interest expense element of lease liabilities are recorded together as lease expenses, which results in a straight-line recognition effect in the consolidated statements of operations and comprehensive loss.

Under IFRS, all leases are accounted for like finance leases where right-of-use assets are generally depreciated on a straight-line basis while lease liabilities are measured under the effective interest method, which results in higher expenses at the beginning of the lease term and lower expenses near the end of the lease term.

Accordingly, the reconciliation includes a decrease in general and administrative expenses of RMB1.5 million, RMB1.4 million and RMB2.6 million and increase in finance cost of RMB1.7 million, RMB0.6 million and RMB4.3 million for each of the years ended December 31, 2019, 2020 and 2021, respectively.

The reconciliation also includes a difference of right-of-use assets and accumulated deficit of RMB0.9 million, RMB0.2 million and RMB1.8 million as of December 31, 2019, 2020 and 2021, respectively.

(d) Share-based compensation

Under U.S. GAAP, awards with performance targets met during the service period upon such as the fulfillment of a qualified successful IPO is a performance vesting condition. The fair value of such awards should not incorporate the probability of the condition vesting, but rather, recognized only when the performance condition is probable to be achieved. The cumulative share-based compensation expenses for the share options that have satisfied the service condition were recorded upon the completion of the IPO. The Company is allowed to make an accounting policy election to account for awards forfeitures as they occur or by estimating expected forfeitures as compensation cost is recognized. The Company elects to account for forfeitures in the period they occur as a deduction to expense.

Under IFRS, when an award is conditional on an IPO occurring with service condition at the same time, but employee service up to the IPO date is not required, the IPO condition is a non-vesting condition which is reflected in the measurement of the fair value of such award. The share-based compensation expenses for such awards should be recognized over the service period. In regard of forfeitures of the awards, IFRS does not allow a similar policy election as U.S. GAAP. Therefore, share-based compensation expenses have to be recognized net of estimated forfeitures.

For the awards which are conditional on an IPO occurring, the required service period was completed before January 1, 2019. Thus, the corresponding share-based compensation expenses for these awards were recognized in the accumulated deficit as of January 1, 2019 under IFRS. Therefore, the reconciliation includes a decrease in cost of revenues and operating expenses of RMB6.3 million for the year ended December 31, 2021 and a difference of additional paid-in capital and accumulated deficit of RMB0.7 million, RMB0.7 million and RMB5.6 million as of December 31, 2019, 2020 and 2021, respectively.

In relation to the difference of the forfeitures of share options and restricted shares granted under U.S. GAAP and IFRS, the reconciliation includes a decrease in cost of revenues and operating expenses of RMB4.5 million, an increase in cost of revenues and operating expenses of RMB10.2 million and an increase in cost of revenues and operating expenses of RMB1.4 million for each of the years ended December 31, 2019, 2020 and 2021, respectively, and a difference of additional paid-in capital and accumulated deficit of RMB4.5 million, RMB5.7 million and RMB7.1 million as of December 31, 2019, 2020 and 2021, respectively.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021 and up to the date of this report.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Company's reporting accountant, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company prepared in accordance with Rule 4.29 of the Listing Rules are set out below for the purpose of illustrating the effect of the Global Offering on the audited consolidated net tangible assets attributable to shareholders of the Company as of December 31, 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to shareholders of the Company as of December 31, 2021 or at any future dates following the completion of the Global Offering. The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company are based on the audited consolidated net tangible assets attributable to shareholders of the Company as of December 31, 2021, as shown in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

Audited consolidated net tangible assets attributable to shareholders of the Company as of December 31, 2021 ⁽¹⁾	Estimated listing expenses ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾		
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>	
Based on 299,478,500 Shares in issue immediately prior to the Global Offering	6,588,683	(38,563)	6,550,120	21.87	26.77

Notes:

- (1) The audited consolidated net tangible assets attributable to shareholders of the Company as of December 31, 2021 has been extracted from the Accountant's Report of the Group as set out in Appendix I to this prospectus which is based on the audited consolidated net assets attributable to shareholders of the Company as of December 31, 2021 of RMB6,730,654,000 with adjustment for goodwill and intangible assets as of December 31, 2021 of RMB73,663,000 and RMB68,308,000, respectively.
- (2) In relation to the Global Offering, the Company expects to incur listing expenses in an aggregate amount of approximately RMB38,563,000 (excluding listing expenses of approximately RMB2,000,000 which have been charged to the consolidated statements of operations and comprehensive loss prior to December 31, 2021) which mainly include professional fees to the Joint Sponsors, legal advisors and Reporting Accountant.
- (3) The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 299,478,500 Shares were issued prior to the Global Offering and assuming that the Global Offering had been completed on December 31, 2021, which includes 2,897,226 shares issuable for little consideration but excludes 11,711,816 Class A Ordinary Shares issued to the Depositary for bulk issuance of ADSs reserved for future issuances upon the exercising or vesting of awards granted under the Share Incentive Plans, 2,451,326 Class A Ordinary Shares issued but unvested under the Share Incentive Plans, 15,323,879 Class A Ordinary Shares issued pursuant to the vesting of options and CEO awards granted after December 31, 2021, any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued pursuant to the Share Incentive Plans including pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time, and any issuance or repurchase and cancellation of Shares and/or ADSs by the Company after December 31, 2021.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.2240. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to December 31, 2021.

**B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Zhihu Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhihu Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as of December 31, 2021, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated April 11, 2022, in connection with the proposed global offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group's financial position as of December 31, 2021 as if the proposed global offering had taken place at December 31, 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended December 31, 2021, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed global offering at December 31, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, April 11, 2022

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on March 18, 2021 and effective on March 30, 2021 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and on Display.”

2 Articles of Association

The Articles of Association of the Company were conditionally adopted by a special resolution on March 18, 2021 and effective on March 30, 2021 and include provisions to the effect set out below.

Notwithstanding the current provisions of the Articles, the Company undertakes to comply with (a) the applicable articles requirements under Chapter 8A of, and Appendix 3 to, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited that are not currently met by the Articles and (b) the requirement that where a general meeting is postponed by the directors, the specific date, time and place of the postponed meeting must be specified, before the Articles are formally amended in an extraordinary general meeting to be convened in August 31, 2022 such that immediately upon the Listing, the Company will be subject to, and will fully comply with, such articles requirements as if they have already been incorporated into the existing Articles upon the Listing (save for certain specified exceptions). For further details, please see the section headed “Waivers and Exemptions – Requirements Relating to the Articles of Association of the Company.”

2.1 Ordinary Shares

The Company’s ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Ordinary shares are issued in registered form. Shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

Upon any sale, transfer, assignment, or disposition of any Class B ordinary shares by a holder to any person who is not a Founder (as defined in the Articles of Association) or a Founder Affiliate (as defined in the Articles of Association), or upon a change of ultimate beneficial ownership of any Class B ordinary shares to any person who is not a Founder or a Founder Affiliate, such Class B ordinary shares shall be automatically and immediately converted into an equal number of Class A ordinary shares.

2.2 Dividends

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

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

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

2.3 Voting Rights

Holders of Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of the shareholders, except as may otherwise be required by law or provided for in the Memorandum and Articles of Association. In respect of matters requiring shareholders' vote, on a show of hands, each shareholder is entitled to one vote and on a poll, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to ten votes. Voting at any shareholders' meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any shareholder present in person or by proxy with a right to attend and vote at such meeting holding not less than ten percent of the votes attaching to the ordinary shares.

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

2.4 Transfer of Shares

Any of the shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in writing and in the usual or common form or any other form approved by the Board of Directors.

However, the Board of Directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which the Company has a lien. The Board of Directors may also decline to register any transfer of any ordinary share unless:

- (a) the instrument of transfer is lodged with the Company, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped, if required;
- (d) in the case of a transfer to joint holders, the transfer is not to more than four joint holders; or
- (e) a fee of such maximum sum as the Designated Stock Exchange (as defined in the Articles of Association) may determine to be payable, or such lesser sum as the Board of Directors may from time to time require, is paid to the Company in respect thereof.

If the directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged with the Company, to send to each of the transferor and the transferee notice of such refusal.

2.5 Liquidation

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

2.6 Redemption, Repurchase and Surrender of Shares

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

2.7 Variation of Rights of Shares

The rights attaching to any class of shares may, subject to any rights or restrictions for the time being attached to any class, be materially adversely varied with the consent in writing of the holders of all of the issued shares of that class, or with the sanction of an ordinary resolution passed at a separate meeting of the holders of the shares of that class.

2.8 General Meetings of Shareholders

Shareholders' general meetings may be held in such place within or outside the Cayman Islands as the Board of Directors considers appropriate.

As a Cayman Islands exempted company, the Company is not obliged by the Companies Act to call shareholders' annual general meetings. The Memorandum and Articles of Association provide that we may in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of the shareholders may be convened by a majority of the Board of Directors or the chairman of the Board of Directors. The Board of Directors shall give not less than seven calendar days' notice of a shareholders' meeting to those persons whose names appear as members in the Company's register of members on the date the notice is given (or on any other date determined by the directors to be the record date for such meeting) and who are entitled to vote at the meeting.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. The Memorandum and Articles of Association allow one or more shareholder holding shares representing in aggregate not less than one-third of the aggregate number of votes attaching to the issued and outstanding shares of the Company entitled to vote at general meetings, to requisition an extraordinary general meeting, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, the Memorandum and Articles of Association do not provide the shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

2.9 Appointment and Removal of Directors

The Articles of Association provide that unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three, the exact number of Directors to be determined from time to time by the Board of Directors.

The Articles of Association provide that the chairman of the Board of Directors shall be the Founder, as long as the Founder is a Director. In the event that the Founder is not a Director, the Board of Directors shall elect and appoint a chairman of the Board of Directors by a majority of the Directors then in office, and the period for which the chairman of the Board of Directors will hold office will also be determined by a majority of all of the Directors then in office. The chairman of the Board of Directors shall preside as chairman at every meeting of the Board of Directors. To the extent the chairman of the Board of Directors is not present at a meeting of the Board of Directors within fifteen minutes after the time appointed for holding the same, the attending Directors may choose one of their number to be the chairman of the meeting.

The Articles of Association provide that the Company may by ordinary resolution appoint any person to be a Director or remove any Director. In addition, the Board may, by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, appoint any person as a Director to fill a casual vacancy on the Board or as an addition to the existing Board. An appointment of a Director may be on terms that the Director shall automatically retire from office (unless he has sooner vacated office) at the next or a subsequent annual general meeting or upon any specified event or after any specified period in a written agreement between the Company and the Director, if any; but no such term shall be implied in the absence of express provision. Each Director whose term of office expired shall be eligible for re-election at a meeting of the Shareholders or re-appointment by the Board of Directors.

There is no shareholding qualification for Directors nor is there any specific age limit for Directors.

The office of a Director shall be vacated if the Director:

- (a) becomes bankrupt or makes any arrangement or composition with his creditors;
- (b) dies or is found to be or becomes of unsound mind;
- (c) resigns his office by notice in writing to the Company;
- (d) without special leave of absence from the Board, he is absent from meetings of the Board for three consecutive meetings, and the Board resolves that his office be vacated; or
- (e) is removed from office pursuant to any other provision of the Articles.

2.10 Proceedings of the Board

The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be a majority of the then existing Directors.

The Directors may meet together (whether within or outside the Cayman Islands) for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.11 Changes in Share Capital

The Company may by ordinary resolution:

- (a) increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- (b) increase its share capital by new shares of such amount as it thinks expedient;
- (c) consolidate and divide all or any of its share capital into shares or larger amount than its existing shares;
- (d) subdivide its existing shares, or any of them, into shares of an amount smaller than that fixed by the Memorandum, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and

- (e) cancel any shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

2.12 Directors' Power to Issue Shares

Subject to the provisions, if any, in the Memorandum and Articles of Association and to any direction that may be given by the Company in a general meeting, the Directors may in their absolute discretion and without approval of the shareholders, issue shares, grant rights over existing shares or issue other securities in one or more series as they deem necessary and appropriate and determine designations, powers, preferences, privileges and other rights, including dividend rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers and rights associated with the shares held by existing shareholders, at such times and on such other terms as they think proper.

2.13 Directors Borrowing Powers

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

2.14 Disclosure of Interest in Contracts with the Company or any of our Subsidiaries

A Director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract or transaction which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made or transaction so consummated.

Subject to the rules of the Designated Stock Exchange (as defined in the Articles of Association) and disqualification by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or transaction or proposed contract or transaction notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or transaction or proposed contract or transaction shall come before the meeting for consideration.

2.15 Remuneration of Directors

The remuneration of the Directors may be determined by the Directors or by ordinary resolution.

The Directors shall be entitled to be paid their traveling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Directors, or committee of the Directors, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive such fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

2.16 Restriction on Ownership of Securities

There are no provisions in the Articles of Association relating to restrictions on ownership of the Company's shares or securities.

2.17 Appointment, removal and remuneration of auditors

The Articles of Association provide that the Directors may appoint an auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration. Upon the shareholders' approval to incorporate the Unmet Articles Requirements in the Company's Articles of Association, the Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 17, 2011 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account.” At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

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

6 Protection of Minorities

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

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

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

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

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

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

14 Reconstructions

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

15 Take-overs

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

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

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

18 Stamp Duty on Transfers

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

19 Taxation

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

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

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

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents on display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on May 17, 2011 under the name “Zhihu Technology Limited.” The Company was renamed “Zhihu Inc.” on October 26, 2020 and adopted the dual foreign name of “知乎.”

Our registered office address is at offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Accordingly, our Company’s corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III.

Our registered place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 26, 2022 with the Registrar of Companies in Hong Kong. Ms. Yee Wa Lau has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

2. Changes in share capital of our Company

Upon incorporation, our Company had an authorized share capital of US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1.00 each.

The following sets out the changes in our Company’s issued share capital within the two years immediately preceding the date of this prospectus:

- (a) On November 24, 2020, the Company issued 500,000 Class B Ordinary Shares to Zhihu Holdings Inc pursuant to an exercise of options granted in 2016.
- (b) On January 4, 2021, the Company issued 450,000 Class A Ordinary Shares to SEA & SANDRA Global Limited upon vesting of restricted shares granted in 2016.
- (c) On March 30, 2021, the Company completed its initial public offering on NYSE pursuant to which it issued and sold a total of 27,500,000 Class A Ordinary Shares represented by ADSs at a public offering price of US\$9.50 per ADS.

- (d) On March 30, 2021, the Company issued and sold in aggregate 13,157,892 Class A Ordinary Shares to the following shareholders for an aggregate consideration of US\$250.0 million:

Shareholders	Number of Class A Ordinary Shares issued	Relevant consideration
Taobao China Holding Limited	5,263,157	US\$100.0 million
Purus Innovation Limited	5,263,157	US\$100.0 million
Image Frame Investment (HK) Limited	1,578,947	US\$30.0 million
Lilith Limited	1,052,631	US\$20.0 million

- (e) On April 15, 2021, the Company issued 7,331,330 Class A Ordinary Shares to ARK Trust (Hong Kong) Limited as trustee of the ZH 1 Trust.
- (f) On April 15, 2021, the Company issued 7,213,274 Class A Ordinary Shares to ARK Trust (Hong Kong) Limited as trustee of the ZH 2 Trust.
- (g) On April 30, 2021, the Company issued and sold 129,952 Class A Ordinary Shares represented by ADSs at a public offering price of US\$9.50 per ADS pursuant to the partial exercise of the option granted to the underwriters in its initial public offering on NYSE to purchase additional ADSs.
- (h) On May 18, 2021, the Company issued 15,317,176 Class A Ordinary Shares to JPMorgan Chase Bank, N.A. in connection with the future exercise or vesting of share awards under the share incentive plans of the Company for employees.
- (i) On April 8, 2022, the Company issued 15,323,879 Class A Ordinary Shares to MO Holding Ltd.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountant's Report as set out in Appendix I.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

- (a) On March 13, 2020, the registered share capital of Beijing Zhihu Network Technology Co., Ltd. (北京知乎網技術有限公司) was increased from US\$90 million to US\$100 million.
- (b) On May 26, 2020, the registered share capital of Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司) was increased from US\$380 million to US\$430 million.
- (c) On October 22, 2020, the registered share capital of Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司) was increased from US\$430 million to US\$480 million.
- (d) On March 9, 2021, the registered share capital of Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司) was increased from US\$480 million to US\$530 million.
- (e) On April 9, 2021, the registered share capital of Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司) was increased from US\$530 million to US\$930 million.
- (f) On May 26, 2021, the registered share capital of Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司) was increased from US\$930 million to US\$1,130 million.
- (g) Zhizhe Sihai (Nanjing) Technology Co., Ltd. (智者四海(南京)技術有限公司) was established on December 22, 2020 with a registered share capital of US\$50 million.
- (h) Zhinan Xingyi (Nanjing) Technology Co., Ltd. (知南行易(南京)科技有限公司) was established on December 1, 2020 with a registered share capital of US\$10 million.
- (i) Zhizhe Wanjuan (Nanjing) Technology Co., Ltd. (知者萬卷(南京)技術有限公司) was established on April 29, 2021 with a registered share capital of RMB5 million.
- (j) Zhinan Erjin (Nanjing) Technology Co., Ltd. (知南而進(南京)技術有限公司) was established on April 29, 2021 with a registered share capital of RMB50 million.

- (k) Nanjing Zhizhe Tianxia Information Technology Co., Ltd. (南京智者天下信息技術有限公司) was established on May 25, 2021 with a registered share capital of RMB20 million.
- (l) Ningbo Zhiwu Technology Co., Ltd. (寧波知物科技有限公司) was established on September 22, 2021 with a registered share capital of RMB1 million.
- (m) Nanjing Zhizhu Technology Co., Ltd. (南京知著科技有限公司) was established on October 19, 2021 with a registered share capital of RMB20 million.
- (n) On June 4, 2020, the registered share capital of Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司) was increased from RMB1 million to RMB10 million.
- (o) Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司) was established on September 7, 2021 with a registered share capital of US\$2 million.
- (p) Nanjing Zhihao Technology Co., Ltd. (南京知皓科技有限公司) was established on November 5, 2021 with a registered share capital of RMB1 million.
- (q) Nanjing Zhixin Technology Co., Ltd. (南京知鑫科技有限公司) was established on October 28, 2021 with a registered share capital of RMB1 million.
- (r) Shanghai Biban Network Technology Co., Ltd. (上海彼伴網絡科技有限公司) was established on November 20, 2020 with a registered capital of RMB1 million.
- (s) On November 9, 2021, the registered capital of Shanghai Biban Network Technology Co., Ltd. (上海彼伴網絡科技有限公司) was increased from RMB1 million to RMB1.0674 million.
- (t) Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司) was established on November 11, 2021 with a registered capital of RMB1 million.
- (u) Shanghai Zhiyao Commercial Consulting Co., Ltd. (上海職鑰商務諮詢有限公司) was established on March 7, 2022 with a registered capital of RMB1 million.

Save as disclosed above, there has been no alteration in the share capital of any subsidiary or Consolidated Affiliated Entity of our Company within the two years immediately preceding the date of this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an exclusive business cooperation agreement entered into between Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司) and Beijing Zhizhe Tianxia Technology Co., Ltd. (北京智者天下科技有限公司) dated December 21, 2021, pursuant to which Beijing Zhizhe Tianxia Technology Co., Ltd. (北京智者天下科技有限公司) agreed to engage Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司) as its exclusive service provider of business support, technical services and consulting services;
- (b) an exclusive option agreement entered into among Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司), Yuan Zhou (周源), Dahai Li (李大海) and Beijing Zhizhe Tianxia Technology Co., Ltd. (北京智者天下科技有限公司) dated December 21, 2021, pursuant to which Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司) (for itself or its designated party) is granted irrevocable and exclusive options to purchase all or part of the equity interest in and assets of Beijing Zhizhe Tianxia Technology Co., Ltd. (北京智者天下科技有限公司) for a nominal price, unless the relevant governmental authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request;
- (c) a share pledge agreement entered into among Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司), Yuan Zhou (周源), Dahai Li (李大海) and Beijing Zhizhe Tianxia Technology Co., Ltd. (北京智者天下科技有限公司) dated December 21, 2021, pursuant to which Yuan Zhou (周源) and Dahai Li (李大海) agreed to pledge all of their respective equity interests in Beijing Zhizhe Tianxia Technology Co., Ltd. (北京智者天下科技有限公司) to Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技術有限公司) as a first priority charge;

- (d) a shareholder's voting rights entrustment agreement entered into among Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技术有限公司), Yuan Zhou (周源), Dahai Li (李大海) and Beijing Zhizhe Tianxia Technology Co., Ltd. (北京智者天下科技有限公司) on December 21, 2021, and a power of attorney executed by each of Yuan Zhou (周源) and Dahai Li (李大海) dated December 21, 2021, whereby Yuan Zhou (周源) and Dahai Li (李大海) irrevocably and exclusively appointed Zhizhe Sihai (Beijing) Technology Co., Ltd. (智者四海(北京)技术有限公司) or its designated persons to exercise all of the rights as shareholder of Beijing Zhizhe Tianxia Technology Co., Ltd. (北京智者天下科技有限公司);
- (e) an exclusive technology development, consultation and services agreement entered into between Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司) and Shanghai Biban Network Technology Co., Ltd. (上海彼伴网络科技有限公司) dated November 9, 2021, pursuant to which Shanghai Biban Network Technology Co., Ltd. (上海彼伴网络科技有限公司) agreed to engage Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司) as its exclusive provider of technology development, consulting and services;
- (f) an exclusive option agreement entered into among Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司), Changjian Ma (马长健), Wenjing Zhao (赵文菁), Nanjing Zhixin Technology Co., Ltd. (南京知鑫科技有限公司) and Shanghai Biban Network Technology Co., Ltd. (上海彼伴网络科技有限公司) dated November 9, 2021, pursuant to which Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司) (for itself or its designated party(ies)) is granted irrevocable and exclusive options to purchase all or part of the equity interest in and assets of Shanghai Biban Network Technology Co., Ltd. (上海彼伴网络科技有限公司) for RMB10 or the lowest price permitted under PRC laws and regulations, unless otherwise agreed between the relevant parties;
- (g) a share pledge agreement entered into among Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司), Changjian Ma (马长健), Wenjing Zhao (赵文菁), Nanjing Zhixin Technology Co., Ltd. (南京知鑫科技有限公司) and Shanghai Biban Network Technology Co., Ltd. (上海彼伴网络科技有限公司) dated November 9, 2021, pursuant to which Changjian Ma (马长健), Wenjing Zhao (赵文菁) and Nanjing Zhixin Technology Co., Ltd. (南京知鑫科技有限公司) agreed to pledge all of their respective equity interests in Shanghai Biban Network Technology Co., Ltd. (上海彼伴网络科技有限公司) to Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司);

- (h) a power of attorney dated November 9, 2021 executed by Changjian Ma (馬長健), whereby Changjian Ma (馬長健) irrevocably appointed Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司) or the director(s) of its offshore holding company designated by it (and a liquidator or other successor performing the role of such director(s)) to exercise all of the rights as shareholder of Shanghai Biban Network Technology Co., Ltd. (上海彼伴網絡科技有限公司);
- (i) a power of attorney dated November 9, 2021 executed by Wenjing Zhao (趙文菁), whereby Wenjing Zhao (趙文菁) irrevocably appointed Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司) or the director(s) of its offshore holding company designated by it (and a liquidator or other successor performing the role of such director(s)) to exercise all of the rights as shareholder of Shanghai Biban Network Technology Co., Ltd. (上海彼伴網絡科技有限公司);
- (j) a power of attorney dated November 9, 2021 executed by Nanjing Zhixin Technology Co., Ltd. (南京知鑫科技有限公司), whereby Nanjing Zhixin Technology Co., Ltd. (南京知鑫科技有限公司) irrevocably appointed Shanghai Paya Information Technology Co., Ltd. (上海杷雅信息科技有限公司) or the director(s) of its offshore holding company designated by it (and a liquidator or other successor performing the role of such director(s)) to exercise all of the rights as shareholder of Shanghai Biban Network Technology Co., Ltd. (上海彼伴網絡科技有限公司);
- (k) an exclusive technology development, consultation and services agreement entered into between Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司) and Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司) dated September 7, 2021, pursuant to which Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司) agreed to engage Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司) as its exclusive provider of technology development, consulting and services;
- (l) an exclusive option agreement entered into among Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司), Sike Li (李斯克), Lingtao Zhang (張凌濤), Nanjing Zhizhe Tianxia Information Technology Co., Ltd. (南京智者天下信息技術有限公司) and Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司) dated September 7, 2021, pursuant to which Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司) (for itself or its designated party(ies)) is granted irrevocable and exclusive options to purchase all or part of the equity interest in and assets of Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司) for RMB10 or the lowest price permitted under PRC laws and regulations, unless otherwise agreed between the relevant parties;

- (m) a share pledge agreement entered into among Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司), Sike Li (李斯克), Lingtao Zhang (張凌濤), Nanjing Zhizhe Tianxia Information Technology Co., Ltd. (南京智者天下信息技術有限公司) and Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司) dated September 7, 2021, pursuant to which Sike Li (李斯克), Lingtao Zhang (張凌濤) and Nanjing Zhizhe Tianxia Information Technology Co., Ltd. (南京智者天下信息技術有限公司) agreed to pledge all of their respective equity interests in Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司) to Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司);
- (n) a power of attorney dated September 7, 2021 executed by Sike Li (李斯克), whereby Sike Li (李斯克) irrevocably appointed Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司) or the director(s) of its offshore holding company designated by it (and a liquidator or other successor exercising the rights of such director(s)) to exercise all of the rights as shareholder of Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司);
- (o) a power of attorney dated September 7, 2021 executed by Lingtao Zhang (張凌濤), whereby Lingtao Zhang (張凌濤) irrevocably appointed Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司) or the director(s) of its offshore holding company designated by it (and a liquidator or other successor exercising the rights of such director(s)) to exercise all of the rights as shareholder of Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司);
- (p) a power of attorney dated September 7, 2021 executed by Nanjing Zhizhe Tianxia Information Technology Co., Ltd. (南京智者天下信息技術有限公司), whereby Nanjing Zhizhe Tianxia Information Technology Co., Ltd. (南京智者天下信息技術有限公司) irrevocably appointed Shanghai Zhishi Commercial Consulting Co., Ltd. (上海知匙商務諮詢有限公司) or the director(s) of its offshore holding company designated by it (and a liquidator or other successor exercising the rights of such director(s)) to exercise all of the rights as shareholder of Shanghai Pinzhi Education Technology Co., Ltd. (上海品職教育科技有限公司);
- (q) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks that we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Place of registration	Class	Registered Number	Expiry Date (yyyy-mm-dd)
1.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	45	51882402	2031-11-06
2.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	9	51877365	2031-09-20
3.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	16	51882363	2031-09-06
4.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	42	51868271	2031-08-27
5.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	35	51881248	2031-08-20
6.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	38	51885749	2031-08-20
7.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	41	51878897	2031-08-20
8.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	16	36163767	2030-11-06
9.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	41	36172554	2030-11-06
10.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	42	36167130	2030-11-06
11.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	38	36167122	2030-11-06
12.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	35	36157932	2030-11-06
13.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	45	15802713A	2026-06-20
14.	知乎 <small>知识 让 生活 更美好</small>	Zhizhe Sihai	PRC	9	13556565	2026-02-20
15.	zhihu	Zhizhe Sihai	PRC	9, 35, 41, 42, 16	14616298A	2026-04-06

No.	Trademark	Registered Owner	Place of registration	Class	Registered Number	Expiry Date (yyyy-mm-dd)
16.	刘看山	Zhizhe Sihai	PRC	9	36395395	2029-10-06
17.	刘看山	Zhizhe Sihai	PRC	35	36393301	2029-10-06
18.	刘看山	Zhizhe Sihai	PRC	16	36386780	2029-10-06
19.	刘看山	Zhizhe Sihai	PRC	41	36395391	2029-10-06
20.	刘看山	Zhizhe Sihai	PRC	38	36389448	2029-10-06
21.	刘看山	Zhizhe Sihai	PRC	42	36396921	2029-10-06
22.	知乎	Zhizhe Tianxia	U.S.	42	5568253	2027-09-25
23.	知乎	Zhizhe Tianxia	U.S.	41	5568252	2027-09-25
24.	知乎	Zhizhe Tianxia	U.S.	38	5568251	2027-09-25
25.	知乎	Zhizhe Tianxia	U.S.	35	5568250	2027-09-25
26.	知乎	Zhizhe Sihai	Hong Kong	1, 2, 3, 4, 5, 9, 16, 36	305405274	2030-09-28
27.	知乎	Zhizhe Sihai	Hong Kong	41	304184767	2027-06-25
28.	知乎	Zhizhe Sihai	Hong Kong	38	303977632	2026-11-28
29.	知乎	Zhizhe Sihai	Hong Kong	35, 42, 45	303947635	2026-10-30
30.	zhihu	Zhizhe Sihai	Hong Kong	38	303977777	2026-11-28

(b) Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Patentee	Place of registration	Patent number	Registration date (yyyy-mm-dd)
1.	基於場景的文本分類模型、 文本分類方法及裝置	Zhizhe Sihai	PRC	ZL202011291516.8	2021-05-07
2.	領域短語挖掘方法及裝置	Zhizhe Sihai	PRC	ZL202010957899.1	2021-01-29
3.	一種處理圖片和文本的方法 和系統	Zhizhe Sihai	PRC	ZL202010938148.5	2021-05-07
4.	基於問題的路由邀請方法及 裝置	Zhizhe Sihai	PRC	ZL202010666491.9	2021-01-29
5.	用於記錄用戶訪問路徑的方 法	Zhizhe Sihai	PRC	ZL202010860569.0	2021-06-25
6.	文本分類系統及方法	Zhizhe Sihai	PRC	ZL202010677644.X	2020-11-03
7.	文本排序方法及裝置	Zhizhe Sihai	PRC	ZL202010683552.2	2021-05-07
8.	多類別實體識別模型的訓練 方法及裝置	Zhizhe Sihai	PRC	ZL202010293118.3	2021-01-29
9.	短文本相關性判別方法	Zhizhe Sihai	PRC	ZL201910653618.0	2021-05-07
10.	一種視頻加載方法及裝置	Zhizhe Sihai	PRC	ZL202110005271.6	2021-05-07
11.	一種實現滑動翻頁無滾屏錯 覺的方法和系統	Zhizhe Sihai	PRC	ZL202110248804.3	2021-06-25
12.	一種自動生成糾錯語料的方 法和系統	Zhizhe Sihai	PRC	ZL202110207599.6	2021-05-18
13.	一種模型蒸餾學習方法、文 本查詢方法及裝置	Zhizhe Sihai	PRC	ZL202011275406.2	2021-04-30
14.	一種跨數據中心的數據存儲 和查詢方法與系統	Zhizhe Sihai	PRC	ZL202110604500.6	2021-09-07
15.	文本分類方法、裝置、計算 設備和計算機可讀介質	Zhizhe Sihai	PRC	ZL202110731191.9	2021-08-24
16.	打標籤方法、推薦方法及記 錄介質	Zhizhe Sihai	PRC	ZL201910423246.2	2021-09-14
17.	多模態預訓練模型的訓練方 法、訓練裝置及電子設備	Zhizhe Sihai	PRC	ZL202110828433.6	2021-10-29

As at the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent	Applicant	Place of application	Application number	Application date (yyyy-mm-dd)
1.	用於移動終端上的視頻創作的方法	Zhizhe Sihai	PRC	2020106502045	2020-07-08
2.	移動設備的測試平台系統和測試方法	Zhizhe Sihai	PRC	2020102173301	2020-03-25
3.	文本分類模型的系統及其訓練方法	Zhizhe Sihai	PRC	2020102091335	2020-03-23
4.	構建文本分類體系的方法	Zhizhe Sihai	PRC	2020101896002	2020-03-18
5.	確定用戶的人群屬性的方法及裝置	Zhizhe Sihai	PRC	2019112994379	2019-12-17
6.	基於流式計算的個性化推送系統及方法	Zhizhe Sihai	PRC	2019110920224	2019-11-08
7.	商品推薦方法及裝置	Zhizhe Sihai	PRC	2019110714509	2019-11-05
8.	使用神經網絡系統識別短文本時效性的方法	Zhizhe Sihai	PRC	2019110617208	2019-11-01
9.	用於多任務識別的神經網絡系統	Zhizhe Sihai	PRC	2019110520594	2019-10-30
10.	一種中文分詞方法及裝置	Zhizhe Information Technology Services Chengdu Co., Ltd.	PRC	2019108445684	2019-09-06
11.	一種多目標排序模型訓練、用戶行為預測方法及裝置、用戶行為預測方法及裝置	Zhizhe Sihai	PRC	201910727793X	2019-08-07
12.	數據計算分析系統及方法	Zhizhe Sihai	PRC	2019104046596	2019-05-15
13.	內容推薦	Zhizhe Sihai	PRC	2019102053491	2019-03-18
14.	內容推薦方法及裝置	Zhizhe Sihai	PRC	2019102047880	2019-03-18
15.	短文本分類方法及裝置	Zhizhe Sihai	PRC	201910199607X	2019-03-15
16.	評論識別的裝置和方法	Zhizhe Sihai	PRC	2019101953214	2019-03-14
17.	一種視頻分類方法、裝置、電子設備和存儲介質	Zhizhe Sihai	PRC	2021106457735	2021-06-10
18.	內容推薦方法及裝置、計算機設備及可讀介質	Zhizhe Sihai	PRC	2021109057005	2021-08-09

(c) Copyrights

As at the Latest Practicable Date, we had registered the following copyrights which are material in relation to our Group's business:

Software

No.	Copyright	Version	Registered owners	Registration number	Registration date (yyyy-mm-dd)
1.	知乎安卓移動客戶端V3.2.0	V3.2.0	Zhizhe Sihai	2016SR117835	2016-05-25
2.	知乎ios移動客戶端V3.10.0	V3.10.0	Zhizhe Sihai	2016SR117954	2016-05-25
3.	知乎Android 移動客戶端知識市場軟件(知乎Live)4.52.0	4.52.0	Zhizhe Sihai	2017SR383606	2017-07-19
4.	知乎ios移動客戶端知識市場軟件(知乎Live)3.52.0	3.52.0	Zhizhe Sihai	2017SR380583	2017-07-18
5.	知乎視頻Live ios移動客戶端軟件3.50	3.50	Beijing Leimeng Shengtong Cultural Development Co., Ltd. ("Leimeng Shengtong")	2017SR521387	2017-09-15
6.	知乎視頻Live Android移動客戶端軟件4.50	4.50	Leimeng Shengtong	2017SR521382	2017-09-15
7.	知乎短視頻ios移動客戶端軟件3.56	3.56	Leimeng Shengtong	2017SR550139	2017-09-27
8.	知乎短視頻Android移動客戶端軟件4.56	4.56	Leimeng Shengtong	2017SR550133	2017-09-27
9.	知乎Android 移動客戶端知乎書店軟件4.51.0	4.51.0	Zhizhe Sihai	2017SR379861	2017-07-18
10.	知乎ios移動客戶端知識書店軟件3.52.0	3.52.0	Zhizhe Sihai	2017SR370658	2017-07-14
11.	知乎畫報平台V1.0	V1.0	Zhihu Network	2019SR0278754	2019-03-25

No. Copyright	Version	Registered owners	Registration number	Registration date (yyyy-mm-dd)
12. 廣告數據系統V1.0	V1.0	Zhihu Network	2019SR0278747	2019-03-25
13. 互動廣告軟件V1.0	V1.0	Zhihu Network	2019SR0278758	2019-03-25
14. 知乎付費諮詢軟件(web端)1.0.0	1.0.0	Zhizhe Sihai	2017SR370652	2017-07-14
15. 知乎問答軟件(網絡版)0.0.92	0.0.92	Zhizhe Sihai	2017SR370641	2017-07-14

(d) Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date (mm/dd/yyyy)
1.	zhihu.com	Zhizhe Tianxia	09/29/2024

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service agreements

(a) Executive Directors

Each of our executive Directors entered into a director agreement with our Company on March 31, 2022. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to re-election as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than 30 days' written notice or such shorter period as the parties may agree upon.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors entered into a director agreement with our Company on March 31, 2022. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to re-election and when required under the Articles of Association). Either party may terminate the agreement by giving not less than 30 days written notice, or such shorter period as the parties may agree upon.

Each of the independent non-executive Directors entered into an amended and restated director agreement or a director agreement (as applicable) with our Company on March 31, 2022. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date, whichever is sooner (subject to re-election as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than thirty days' written notice, or such shorter period as the parties may agree upon.

2. Remuneration of Directors

- (a) Remuneration and benefits in kind of approximately RMB8.3 million, RMB27.4 million and RMB319.5 million in aggregate (including share-based compensation amounting to nil, RMB26.1 million and RMB286.3 million for the same periods respectively, in relation to reflecting an one-off grant of options to Mr. Zhou pursuant to the 2012 Plan in 2020) were paid and granted by our Group to our Directors in respect of for the years ended December 31, 2019, 2020 and 2021.
- (b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2022, is expected to be approximately RMB143.8 million in aggregate (excluding discretionary bonus).
- (c) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(a) *Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering*

Immediately following completion of the Global Offering, the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) *Interest in Shares of our Company*

Name of director or chief executive	Nature of interest	Number and class of securities	Approximate percentage of interest in each class of Shares of our Company immediately after the Global Offering ⁽¹⁾
Mr. Zhou	Interest in controlled corporations/founder of a discretionary trust/beneficiary of a trust	17,626,986 Class A Ordinary Shares ⁽²⁾	5.92%
	Interest in controlled corporations/founder of a discretionary trust/beneficiary of a trust	19,227,592 Class B Ordinary Shares ⁽²⁾	100%
Dahai Li	Interest in controlled corporations	2,779,240 Class A Ordinary Shares ⁽³⁾	0.93%
	Beneficial interest	99,450 Class A Ordinary Shares ⁽⁴⁾	0.03%

Name of director or chief executive	Nature of interest	Number and class of securities	Approximate percentage of interest in each class of Shares of our Company immediately after the Global Offering ⁽¹⁾
Wei Sun	Interest in controlled corporation	3,285,167 Class A Ordinary Shares ⁽⁵⁾	1.10%
	Beneficial interest	119,500 Class A Ordinary Shares ⁽⁶⁾	0.04%
Hope Ni	Beneficial interest	10,000 Class A Ordinary Shares ⁽⁷⁾	0.003%
Hanhui Sam Sun	Beneficial interest	10,000 Class A Ordinary Shares ⁽⁷⁾	0.003%
Derek Chen	Beneficial interest	10,000 Class A Ordinary Shares ⁽⁷⁾	0.003%

Notes:

- (1) The calculation is based on the total number of 316,744,432 Class A Ordinary Shares and 19,227,592 Class B Ordinary Shares issued and outstanding immediately after completion of the Global Offering.
- (2) These Shares are held by MO Holding Ltd. More than 99% of the interest of MO Holding Ltd is held by South Ridge Global Limited, which is in turn wholly-owned by a trust that was established by Mr. Zhou (as the settlor) for the benefit of Mr. Zhou and his family. The remaining interest of MO Holding Ltd is held by Zhihu Holdings Inc., which is wholly-owned by Mr. Zhou. Mr. Zhou is therefore deemed to be interested the Shares held by MO Holding Ltd.
- (3) Including 1,673,042 Shares held by Ocean Alpha Investment Limited and 1,106,198 Shares held by SEA & SANDRA Global Limited. The entire interest in Ocean Alpha Investment Limited is held by a trust that was established by Mr. Dahai Li for the benefit of him and his family. SEA & SANDRA Global Limited is wholly-owned by Mr. Li. Mr. Li is therefore deemed to be interested in the Shares held by Ocean Alpha Investment Limited and SEA & SANDRA Global Limited.
- (4) These Shares represent the ADSs held by Mr. Dahai Li.
- (5) These Shares are held by Cross Wave Holdings Limited, which is wholly owned by Cross Water Holding Limited. The entire interest in Cross Water Holding Limited is held by a trust that was established by Mr. Wei Sun for the benefit of him and his family. Mr. Sun is therefore deemed to be interested in the Shares held by Cross Wave Holdings Limited.
- (6) These Shares represent the ADSs held by Mr. Wei Sun.
- (7) Represents the Director's entitlement to receive 10,000 restricted shares (the underlying Shares of which are Class A Ordinary Shares) pursuant to his/her director agreement with the Company.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the options granted under the Share Incentive Plans, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please see the section headed “Substantial Shareholders.”

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the options granted under the Share Incentive Plans, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

- (a) Save as disclosed in the section headed “– Further Information about our Directors – Particulars of Directors’ service contracts and appointment letters” in this Appendix IV, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (b) None of the Directors or the experts named in the section headed “Other Information – Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) No commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (d) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

- (e) Save as disclosed in the section headed “Substantial Shareholders”, taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the Share Incentive Plans, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) Save as disclosed in the section headed “– Further Information about our Directors – Disclosure of interests” in this Appendix IV, none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

D. SHARE INCENTIVE PLANS

1. The 2012 Plan

Summary

The following is a summary of the principal terms of the 2012 Plan of the Company as approved and adopted by our Board and our shareholders in June 2012. The 2012 Plan does not involve the grant of any share options after Listing and is not subject to the provisions of Chapter 17 of the Listing Rules.

We have applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix IA to the Listing Rules; and (ii) an exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See the section headed “Waivers from Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver and Exemption in relation to the Share Incentive Plans” for more information.

(a) *Purpose*

The purposes of the 2012 Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to employees, consultants, and directors of the Group and to promote the success of the Company's business.

(b) *Who may join*

Those eligible to participate in the 2012 Plan include employees and consultants of the Group or any parent company or affiliate of the Company as well as the Directors (the "**Participants**"). The Administrator (as defined below) may, from time to time, select from among all Participants to whom awards in the form of share options ("**Options**") or a right to purchase restricted Shares ("**Restricted Shares**") (collectively, "**Awards**"), will be granted and will determine the nature and amount of each option.

(c) *Maximum number of Shares*

The maximum aggregate number of Shares under the 2012 Plan which may be issued is 12,320,000 ordinary shares (or 98,560,000 Class A Ordinary Shares after the 1:8 share split we conducted in May 2014; subject to further adjustments).

(d) *Administration*

The 2012 Plan shall be administered by the Board or a committee, or any director appointed by the Board to administer it (the "**Administrator**"). The 2012 Plan may be administered by different administrative bodies with respect to different classes of Participants.

In relation to the 2012 Plan, subject to the provisions thereunder, the Administrator shall have the authority in its sole discretion to, among others:

- (i) determine the fair market value of the Shares to which an Award relates, where such determination shall be applied consistently with respect to the Participants under the 2012 Plan;
- (ii) select the Participants to whom Awards may be granted;
- (iii) determine the number of Shares to be covered by each Award;
- (iv) approve the form(s) of agreement(s) and other related documents used under the 2012 Plan;

- (v) determine the terms and conditions, not inconsistent with the terms of the 2012 Plan, of any Award granted thereunder, including but not limited to the exercise or purchase price, the time or times when Awards may be exercised (which may be based on performance criteria), the circumstances (if any) when vesting will be accelerated or forfeiture restrictions will be waived, and any restriction or limitation regarding any Award, Options, or Restricted Shares;
- (vi) amend any outstanding Award or agreement related to any Options or Restricted Shares, including any amendment adjusting vesting, provided that no amendment shall be made that would materially and adversely affect the rights of any grantee without his or her consent; and
- (vii) determine whether and under what circumstances an Option may be settled in cash under instead of Shares.

(e) Grant of Awards

The Administrator is authorized to grant Awards in the form of Options or Restricted Shares to Participants in accordance with the terms of the 2012 Plan. Awards granted will be evidenced by an option agreement or restricted share purchase agreement (“**Award Agreement**”) between the Company and the grantee.

(f) Terms of the 2012 Plan

The 2012 Plan commenced in June 2012 and shall continue in effect for a term of 10 years unless sooner terminated under the terms of the 2012 Plan.

(g) Options

(i) Exercise price

The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option shall be such price as is determined by the Administrator and set forth in the option agreement.

(ii) Term of option

The term of each Option shall be the term stated in the option agreement; provided that the term shall be no more than ten (10) years from the date of grant thereof or such shorter term as may be provided in the option agreement.

(iii) Time and conditions of exercise

Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, consistent with the terms of the 2012 Plan and reflected in the option agreement, including vesting requirements and/or performance criteria with respect to the Group, and/or the grantee.

An Option may not be exercised for a fraction of a Share. The Administrator may require that an Option be exercised as to a minimum number of Shares, provided that such requirement shall not prevent an grantee from exercising the full number of Shares as to which the Option is then exercisable.

(iv) Termination of employment or consulting relationship

In the event of termination of a grantee's employment or consulting relationship with the Group other than as a result of the grantee's death or for Cause (as defined below) or voluntary termination, then his or her Options shall expire on the earliest of (i) the expiration of the term of the Option as provided in the option agreement, (ii) the last day of the three-month period following such termination for any reason other than disability, or such later date as the Administrator may determine and specify in the option agreement and (iii) the last day of the six-month period following such termination as a result of his or her disability, or such later date as the Administrator may determine and specify in the option agreement. The grantee may exercise all or part of his or her Option at any time before the expiration of the Option and to the extent such Option was vested as of the date of such termination. The balance of the unvested shares subject to the Option shall be forfeited on the date of termination of the grantee's employment or consulting relationship with the Group.

(v) Death

In the event of termination of a grantee's employment or consulting relationship with the Group as a result of his or her death, then his or her Options shall expire on the earliest of the expiration of the term of the Option as provided in the Award Agreement and (ii) the last day of the twelve-month period immediately following the grantee's death, or such later date as the Administrator may determine and specify in the Award Agreement. The Option may be exercised by the Optionee's estate, or by a person who acquired the right to exercise the Option by bequest or inheritance to the extent the Option was vested as of the date of the grantee's death.

(vi) Termination for Cause

In the event of termination of a grantee's employment or consulting relationship with the Group as a result of, among others, the grantee's willful failure to perform his or her duties to the Group, commission of any willful misconduct expected to result in injury to the Company ("**Cause**"), any outstanding Option including any vested portion thereof held by such grantee shall immediately terminate in its entirety upon first notification to the grantee of the

termination. If a grantee's employment or consulting relationship with the Group is suspended pending an investigation of whether it will be terminated for Cause, all the grantee's rights under any Option, including the right to exercise the Option, shall be suspended during the investigation period.

(vii) Voluntary termination

In the event of termination of a grantee's employment or consulting relationship with the Group by himself or herself, the unvested portion of the Option shall immediately terminate in its entirety upon first notification to the Group of his or her intention for such termination, and the Company shall be entitled to repurchase the vested portion of the Option in the original purchase price paid by the grantee, and may be paid by cancelation of any indebtedness of the purchaser to the Company.

(viii) Rights as holder of capital Shares

Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a holder of capital shares shall exist with respect to the Shares that are subject to the Option, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the share certificate is issued, in accordance with the terms of the 2012 Plan.

(ix) Buyout provisions

The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted under the 2012 Plan based on such terms and conditions as the Administrator shall establish and communicate to the grantee at the time that such offer is made.

(x) Limits on transfer of options

Options may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution.

Unless stated otherwise in an option agreement, a grantee may designate one or more beneficiaries with respect to an Award and change such designation before his or her death by timely filing the prescribed forms with the Company which will not constitute a transfer. If no beneficiary was designated or if no designated beneficiary survives the grantee, then after a grantee's death any vested Award(s) shall be transferred or distributed to the grantee's estate.

*(h) Restricted Shares**(i) Rights to purchase*

When a right to purchase Restricted Shares is granted under the 2012 Plan, the Administrator shall advise the recipient in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid (which shall be as determined by the Administrator, subject to applicable laws), and the time within which such person must accept such offer in a restricted shares purchase agreement.

The restricted shares purchase agreement shall contain such other terms, provisions and conditions not inconsistent with the 2012 Plan as may be determined by the Administrator in its sole discretion. The provisions of restricted shares purchase agreements need not be the same with respect to each grantee.

(ii) Repurchase option

Unless the Administrator determines otherwise, the Company will be granted a repurchase option exercisable upon the voluntary or involuntary termination of a grantee's employment or consulting relationship with the Group for any reason. The purchase price for Shares repurchased shall be the original purchase price paid by the purchaser and may be paid by cancelation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine.

(iii) Rights as a Holder of Capital Shares

Once the Restricted Shares is purchased, the grantee shall have the rights equivalent to those of a holder of capital shares, and shall be a record holder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Restricted Shares is purchased, except otherwise provided in the 2012 Plan.

(i) Payment

The consideration to be paid for the Shares to be issued upon exercise of an Option or purchase of Restricted Shares, including the method of payment, shall be determined by the Administrator and may consist entirely of (1) cash; (2) check; (3) to the extent permitted under applicable laws, delivery of a promissory note with such recourse, interest, security and redemption provisions as the Administrator determines to be appropriate; (4) cancelation of indebtedness; (5) other previously owned Shares that have a fair market value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is exercised or the Restricted Shares; (6) Shares subject to the Option or the Restricted Shares, including by delivery of an irrevocable direction to a Company designated securities broker (on a form prescribed by the Administrator) to sell Shares and to deliver all or part of the sale proceeds

to the Company in payment of the aggregate exercise price in full and, if applicable, the amount necessary to satisfy the Company's withholding obligations; (7) such other consideration and method of payment permitted under applicable laws; or (8) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and the Administrator may, in its sole discretion, refuse to accept a particular form of consideration at the time of any Option exercise or Restricted Share purchase.

(j) Adjustments

The maximum number of Shares that may be issued under the 2012 Plan and the Shares and the price per share under any outstanding Award shall be proportionately adjusted for any changes in the Company's capitalization, such as share split, reverse share split, share dividend, dividend in property other than cash, combination of shares, exchange of shares, combination, consolidation, recapitalization, reincorporation, reorganization, change in corporate structure, reclassification or similar events.

(k) Amendment and termination

The Board may at any time amend or terminate the 2012 Plan, subject to any applicable laws and the memorandum and articles of association of the Company. No amendment or termination of the 2012 Plan shall materially and adversely impair the rights of any grantee with respect to an outstanding Award, without his or her consent. The Company shall obtain the approval of holders of capital shares with respect to any 2012 Plan amendment in such a manner and to such a degree as required to the extent necessary and desirable to comply with applicable laws.

Outstanding Options and Restricted Shares granted

As of the Latest Practicable Date, the number of underlying Shares pursuant to the outstanding options granted under the 2012 Plan amounted to 9,116,753 Class A Ordinary Shares, representing approximately 2.88% of the issued and outstanding Shares immediately following the completion of the Global Offering. As at the Latest Practicable Date, the outstanding options are held by 321 grantees under the 2012 Plan. All the options under the 2012 Plan were granted between June 1, 2012 and October 1, 2021 (both days inclusive). The exercise price of the options granted under the 2012 Plan is US\$0.000125 and US\$7.51 per Class A Ordinary Share. No consideration was payable for the grants of options under the 2012 Plan.

Assuming full vesting and exercise of all outstanding options granted under the 2012 Plan, the shareholding of our Shareholders immediately following completion of the Global Offering will be diluted by approximately 2.80%. The dilution effect on our earnings per Share would be approximately 2.80%.

The table below shows the details of the outstanding options as at the Latest Practicable Date granted to the 321 grantees, who are neither Directors nor members of the senior management of the Company:

Category by number of underlying Class A Ordinary Shares ⁽¹⁾	Number of grantees	Date of Grant	Vesting period ⁽²⁾	Expiry date	Exercise Price (per Share in US\$)	Number of Shares outstanding in aggregate	Approximate percentage of equity interest of the issued Shares immediately after completion of Global Offering	Approximate percentage of voting interest of the issued Shares immediately after completion of Global Offering ⁽¹⁾
More than 400,000	4	June 1, 2012 to December 20, 2019	3-4 years	June 1, 2022 to December 20, 2029	0.01-7.51	2,877,792	0.91%	0.59%
200,001 to 400,000	3	June 1, 2012 to July 2, 2021	3.5-4 years	June 1, 2022 to July 2, 2031	0.01-5.93	674,146	0.21%	0.14%
1 to 200,000	314	June 1, 2012 to October 1, 2021	2.25-4 years	June 1, 2022 to October 1, 2031	0.000125-7.51	5,564,815	1.76%	1.14%
Total:	321 grantees				Total:	9,116,753	2.88%	1.86%

Notes:

- (1) The percentage takes into account the weighted voting rights of the Class B Ordinary Shares, which carry 10 votes per share in relation to resolutions at the general meetings of the Company save in respect to the Reserved Matters.
- (2) The exercise period of the options granted shall commence from the date on which the relevant options become vested and ended on the expiry date, subject to the terms of the relevant Share Incentive Plan and the share option award agreement signed by the grantee.

As of the Latest Practicable Date, the number of outstanding Restricted Shares granted under the 2012 Plan amounted to 2,080,466 Class A Ordinary Shares, representing approximately 0.66% of the issued and outstanding Shares immediately following the completion of the Global Offering. As at the Latest Practicable Date, the outstanding Restricted Shares are held by 405 grantees under the 2012 Plan. All the Restricted Shares under the 2012 Plan were granted between July 2, 2021 and January 7, 2022 (both days inclusive). The purchase price of the Restricted Shares granted under the 2012 Plan is US\$0.01 per Class A Ordinary Share.

The table below shows the details of the outstanding restricted shares granted to the 405 grantees under the 2012 Plan. None of the grantees is a Director, member of the senior management or connected person of the Company.

Category by number of underlying Class A Ordinary Shares ⁽¹⁾	Number of grantees	Date of Grant	Vesting period	Purchase Price (per Share in US\$)	Number of Shares outstanding in aggregate	Approximate percentage of equity interest of the issued Shares immediately after completion of Global Offering	Approximate percentage of voting interest of the issued Shares immediately after completion of Global Offering ⁽¹⁾
50,001 to 100,000	5	July 2, 2021 to January 7, 2022	4 years	0.01	430,500	0.14%	0.09%
1 to 50,000	400	July 2, 2021 to January 7, 2022	4 years	0.01	1,649,966	0.52%	0.34%
Total:	405 grantees			Total:	2,080,466	0.66%	0.42%

Notes:

- (1) The percentage takes into account the weighted voting rights of the Class B Ordinary Shares, which carry 10 votes per share in relation to resolutions at the general meetings of the Company save in respect to the Reserved Matters.

2. The 2022 Plan

The Board has conditionally adopted the 2022 Plan to take effect upon Listing, pursuant to the resolutions of the Board passed on March 30, 2022. The terms of the 2022 Plan will comply with Chapter 17 of the Listing Rules. The principal terms of the 2022 Plan are as summarized below.

(a) Purpose

The purpose of the 2022 Plan is to secure and retain the services of valuable employees, directors, or consultants and provide incentive for such persons to exert their best efforts for the success of our business.

(b) Who may join

We may grant awards to directors, consultants, and employees of our company.

(c) Administration

Our board of directors or a committee of one or more members of the board of directors administers the 2022 Plan. The committee or the board of directors determines, among other things, the participants eligible to receive awards, the type or types of awards to be granted to each eligible participant, the number of awards to be granted to each eligible participant, and the terms and conditions of each award grant.

(d) Scheme limit

The overall limit on the number of Shares which may be issued pursuant to all Awards under the 2022 Plan (the “Award Pool”) is the sum of (i) a maximum of 13,042,731 Shares which may be issued pursuant to Awards in the form of Options (the “Option Grant Limit”), and (ii)(A) a maximum of 26,085,463 Shares and (B) such number of Shares equivalent to the unused portion of the scheme limit of the 2012 Plan as at the expiry of such plan, which may be issued pursuant to Awards in the form of Restricted Share Units (the “Restricted Share Unit Grant Limit”).

(e) Terms and conditions of the 2022 Plan

Unless terminated earlier, the 2022 Plan has a term of ten years. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Awards may not be transferred in any manner by the eligible participant other than in accordance with the exceptions provided in the 2022 Plan, such as transfers to our company or a subsidiary of ours, transfers to the immediate family members of the participant by gift, the designation of a beneficiary to receive benefits if the participant dies, permitted transfers or exercises on behalf of the participant by the participant’s duly authorized legal representative if the participant has suffered a disability, or, subject to the prior approval of the plan administrator or our executive officer or director authorized by the plan administrator, transfers to one or more natural persons who are the participant’s family members or entities owned and controlled by the participant and/or the participant’s family members, including but not limited to trusts or other entities whose beneficiaries or beneficial owners are the participant and/or the participant’s family members, or to such other persons or entities as may be expressly approved by the plan administrator, pursuant to such conditions and procedures as the plan administrator may establish.

(f) Awards

The 2022 Plan permits the awards of options and restricted share unit awards or other types of awards approved by the board of directors. At the discretion of the Board or the committee delegated with the authority to administer the plan, any Shares distributed pursuant to an Award may be represented by American Depository Shares.

Awards under the 2022 Plan are evidenced by an award agreement that set forth the terms, conditions, and limitations for each award, which may include the term of the award, the provisions applicable in the event the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel, or rescind the Award.

(g) Options

Unless approved by the Shareholders in general meeting, the total number of Class A Ordinary Shares issued and to be issued upon the exercise of options granted and to be granted under the 2022 Plan and any other plan of the Company to an eligible participant within any 12-month period shall not exceed 1% of the Class A Ordinary Shares issued and outstanding at the date of any grant.

No option shall be granted to any eligible participant in circumstances prohibited by any applicable laws or at a time when the eligible participant would or might be prohibited from dealing in the Shares by any applicable laws. No option shall be granted to any eligible participant where such person is in possession of any unpublished inside information in relation to the Company until such inside information has been published in an announcement in accordance with the applicable laws. Furthermore, no option shall be granted: (i) during the period of 60 days immediately preceding the publication date of the annual results of the Company or, if shorter, the period from the end of the relevant financial year up to the publication date of such results; and (ii) during the period of 30 days immediately preceding the publication date of the half-year results of the Company or, if shorter, the period from the end of the relevant half-year period up to the publication date of such results. Such period will also cover any period of delay in the publication of any results announcement.

The plan administrator determines the exercise price for each award, which is stated in the relevant award agreement shall not be lower than the fair market value of the Shares on the date of grant, which shall be the higher of: (i) the closing sales price for such Shares or securities as quoted on the principal exchange or system on which the Shares or securities of the Company are listed (as determined by the Board or the committee delegated with the authority to administer the plan) on the date of grant, and (ii) average closing sales price as quoted on the principal exchange or system on which the Shares or securities of the Company are listed for the five business days immediately preceding the date of grant. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant. Any option granted but not exercised by the end of its term will automatically lapse and be cancelled.

(h) Adjustments

The maximum number of Shares that may be issued under the 2022 Plan and the Shares and the price per share under any outstanding Award shall be proportionately adjusted for any changes in the Company's capitalization, such as dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution.

(i) Amendment and termination

Our board of directors has the authority to terminate, amend or modify the provisions of the plan, provided that (a) to the extent necessary and desirable to comply with applicable laws, the Company shall obtain shareholder approval of any amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice in lieu of shareholder approval as permissible under the applicable stock exchange rules, and (b) unless the Company decides to follow home country practice in lieu of shareholder approval as permissible under the applicable stock exchange rules, shareholder approval is required for any amendment to the 2022 Plan that increases the number of Shares available under the Plan (other than any adjustment in the event of any change in capital structure of the Company). However, no termination, amendment, or modification of the 2022 Plan may adversely affect in any material way any award previously granted pursuant to the 2022 Plan.

Notwithstanding the other provisions of the 2022 Plan, to the extent required under the rules of any securities exchange or market system on which the Shares are listed, amendments to the terms of options granted under the 2022 Plan shall be subject to approval by the Shareholders entitled to vote at a meeting of the Shareholders.

E. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in the section headed "Business – Legal Proceedings and Compliance" in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any Shares to be allotted and issued pursuant to the Share Incentive Schemes).

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$1.2 million for acting as the sponsor for the Listing.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Credit Suisse (Hong Kong) Limited	A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) of the regulated activities as defined under the SFO
J.P. Morgan Securities (Far East) Limited	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

Name	Qualification
CMB International Capital Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Han Kun Law Offices	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorney-at-law
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
China Insights Industry Consultancy Limited	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary Expenses

The Company did not incur any material preliminary expenses.

8. Particulars of the Selling Shareholders and the Over-allotment Shareholders

Name:	Innovation Works Development Fund, L.P.
Registered Office:	PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands
Description:	Innovation Works Development Fund, L.P. is an exempted limited partnership registered in the Cayman Islands. Its sole general partner is Innovation Works Development Fund GP, L.P., the sole general partner of which is Innovation Works Development Fund GP, LLC. Innovation Works Development Fund GP, LLC is incorporated in the Cayman Islands and beneficially owned by Peter Liu and Kai-Fu Lee.
Number of Sale Shares:	5,646,000
Maximum number of Shares to be sold pursuant to the exercise of the Over-allotment Option:	2,935,900
Name:	Innovation Works Holdings Limited
Registered Office:	Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands
Description:	Innovation Works Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by Kai-Fu Lee.
Number of Sale Shares:	1,854,000
Maximum number of Shares to be sold pursuant to the exercise of the Overallotment Option:	964,100
Name:	Qiming Venture Partners III, L.P.
Registered Office:	PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands
Description:	Qiming Venture Partners III, L.P. is an exempted limited partnership registered in the Cayman Islands. Its sole general partner is Qiming GP III, L.P., the sole general partner of which is Qiming Corporate GP III, Ltd., an exempted company incorporated in the Cayman Islands.
Number of Sale Shares:	2,670,200

Name: Qiming Venture Partners III Annex Fund, L.P.
Registered Office: PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands
Description: Qiming Venture Partners III Annex Fund, L.P. is an exempted limited partnership registered in the Cayman Islands. Its sole general partner is Qiming GP III, L.P., the sole general partner of which is Qiming Corporate GP III, Ltd., an exempted company incorporated in the Cayman Islands.
Number of Sale Shares: 495,600

Name: Qiming Managing Directors Fund III, L.P.
Registered Office: PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands
Description: Qiming Managing Directors Fund III, L.P. is an exempted limited partnership registered in the Cayman Islands. Its sole general partner is Qiming Corporate GP III, Ltd., an exempted company incorporated in the Cayman Islands.
Number of Sale Shares: 84,200

Name: SAIF IV Mobile Apps (BVI) Limited
Registered Office: Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
Description: SAIF IV Mobile Apps (BVI) Limited is a company incorporated in the British Virgin Islands and is wholly owned by SAIF Partners IV L.P.. The sole general partner of SAIF Partners IV L.P. is SAIF IV GP L.P., the sole general partner of which is SAIF IV GP Capital Ltd, a company incorporated in the Cayman Islands and wholly owned by Mr. Andrew Y. Yan.
Number of Sale Shares: 3,250,000

Name: CTG Evergreen Investment XX Limited
Registered Office: CCS Trustees Limited, Mandar House, 3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands
Description: CTG Evergreen Investment XX Limited is a company incorporated in the British Virgin Islands and is wholly owned by Capital Today Evergreen Fund, L.P., whose general partner is Capital Today Evergreen GenPar LTD. Capital Today Evergreen GenPar LTD. is wholly owned by Ms. Xin Xu.
Number of Sale Shares: 12,000,000

9. Other Disclaimers

- (a) Save as disclosed in “History, Development and Corporate Structure”, “Financial Information”, Appendix I, and the sections headed “– Share Incentive Plans” in this Appendix IV, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (b) Save as disclosed in “History, Development and Corporate Structure”, “Financial Information”, Appendix I, and the sections headed “– Share Incentive Plans” in this Appendix IV:
- (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
- (c) Save as disclosed in the paragraph headed “Further Information about our Business – Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to under the section headed “Statutory and General Information – Other Information – Consents of Experts” in Appendix IV;
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information – Further Information about Our Business – Summary of Material Contracts” in Appendix IV; and
- (d) the statement of particulars of the Selling Shareholders and the Over-allotment Shareholders.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at ir.zhihu.com during a period of 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report and the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the texts of which are set out in Appendices I and II;
- (c) the audited consolidated financial statements of our Company for the financial years ended December 31, 2019, 2020 and 2021;
- (d) the PRC legal opinions issued by Han Kun Law Offices, our legal advisor as to PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III;
- (f) the Cayman Companies Act;
- (g) the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in the section headed “Industry Overview”;
- (h) the written consents referred to under the section headed “Statutory and General Information – Other Information – Consents of Experts” in Appendix IV;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND ON DISPLAY**

- (i) the material contracts referred to in “Statutory and General Information – Further Information about Our Business – Summary of Material Contracts” in Appendix IV;
- (j) the service agreements with our Directors referred to in “Statutory and General Information – Further Information about our Directors – Particulars of Directors’ service agreements” in Appendix IV;
- (k) the terms of the Share Incentive Plans; and
- (l) the statement of particulars of the Selling Shareholders and the Over-allotment Shareholders.

DOCUMENTS AVAILABLE FOR INSPECTION

A list of grantees under the Share Incentive Plans will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus.

A night sky with the Milky Way galaxy and a dark landscape with rolling hills. The sky is a deep blue, filled with numerous stars and the faint, glowing band of the Milky Way galaxy. The foreground shows dark, rolling hills or dunes, with some grass visible in the lower part of the frame. The overall mood is serene and vast.

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Zhihu Inc.