

APPENDIX IB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**REPORT ON REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

To the Board of Directors of Kingsoft Cloud Holdings Limited

Introduction

We have reviewed the interim financial information set out on pages IB-2 to IB-32, which comprises the unaudited interim condensed consolidated balance sheet of Kingsoft Cloud Holdings Limited (the “Company”), its subsidiaries (collectively referred to as the “Group”) as at 31 March 2022 and the related unaudited interim condensed consolidated statements of comprehensive loss, changes in shareholders’ equity and cash flows for the three-month period then ended, and explanatory notes. The directors of the Company are responsible for the preparation of this interim financial information in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accounts. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with U.S. GAAP.

[●]

Certified Public Accountants

Hong Kong

[Date]

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2022

(All amounts in thousands, except for number of shares and per share data)

		December 31, 2021 RMB	As at March 31, 2022 RMB (unaudited)	March 31, 2022 US\$ (unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents		4,217,528	3,219,414	507,850
Restricted cash		239,093	163,025	25,717
Accounts receivable, net of allowance for credit losses of RMB32,265 and RMB32,384 as of December 31, 2021 and March 31, 2022, respectively	5	3,570,975	3,525,311	556,104
Short-term investments		2,491,056	2,384,549	376,153
Prepayments and other assets	6	1,687,021	1,669,145	263,303
Amounts due from related parties	19	207,143	311,306	49,107
Total current assets		12,412,816	11,272,750	1,778,234
Non-current assets:				
Property and equipment, net	7	2,364,103	2,421,162	381,929
Intangible assets, net	8	1,169,767	1,121,818	176,962
Goodwill	9	4,625,115	4,609,847	727,185
Prepayments and other assets	6	29,066	23,817	3,757
Equity investments	2	207,166	211,744	33,402
Amounts due from related parties	19	5,758	5,758	908
Deferred tax assets, net		7,798	3,637	574
Operating lease right-of-use assets	10	256,451	265,322	41,854
Total non-current assets		8,665,224	8,663,105	1,366,571
Total assets		21,078,040	19,935,855	3,144,805

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2022 (continued)

(All amounts in thousands, except for number of shares and per share data)

	<i>Notes</i>	December 31, 2021 RMB	As at March 31, 2022 RMB (<i>unaudited</i>)	March 31, 2022 US\$ (<i>unaudited</i>)
LIABILITIES, NON-CONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable (including accounts payable of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB2,733,487 and RMB2,407,188 as of December 31, 2021 and March 31, 2022, respectively)	<i>11</i>	2,938,632	2,580,718	407,098
Accrued expenses and other liabilities (including accrued expenses and other liabilities of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB1,208,868 and RMB868,376 as of December 31, 2021 and March 31, 2022, respectively)	<i>12</i>	2,223,840	1,843,193	290,757
Short-term bank loans (including short-term bank loans of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB1,348,166 and RMB1,485,000 as of December 31, 2021 and March 31, 2022, respectively)	<i>13</i>	1,348,166	1,491,144	235,222
Income tax payable (including income tax payable of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB1,026 and RMB nil as of December 31, 2021 and March 31, 2022, respectively)	<i>14</i>	60,217	41,482	6,544
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB797,731 and RMB789,566 as of December 31, 2021 and March 31, 2022, respectively)	<i>19</i>	836,435	824,737	130,099
Current operating lease liabilities (including current operating lease liabilities of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB70,672 and RMB70,172 as of December 31, 2021 and March 31, 2022, respectively)	<i>10</i>	108,590	111,759	17,630
Total current liabilities		7,515,880	6,893,033	1,087,350

APPENDIX IB

UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF
MARCH 31, 2022 (continued)

(All amounts in thousands, except for number of shares and per share data)

	<i>Notes</i>	December 31, 2021 RMB	As at March 31, 2022 RMB (<i>unaudited</i>)	March 31, 2022 US\$ (<i>unaudited</i>)
Non-current liabilities:				
Amounts due to related parties (including amounts due to related parties of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB472,882 and RMB414,152 as of December 31, 2021 and March 31, 2022, respectively)	19	472,882	414,152	65,331
Deferred tax liabilities (including deferred tax liabilities of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB nil and RMB nil as of December 31, 2021 and March 31, 2022, respectively)		205,889	198,946	31,383
Other liabilities (including other liabilities of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB6,975 and RMB5,985 as of December 31, 2021 and March 31, 2022, respectively)	12	1,232,677	1,239,669	195,553
Non-current operating lease liabilities (including non-current operating lease liabilities of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiary of RMB121,057 and RMB123,595 as of December 31, 2021 and March 31, 2022, respectively)	10	158,289	173,664	27,395
Total non-current liabilities		2,069,737	2,026,431	319,662
Total liabilities		9,585,617	8,919,464	1,407,012

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2022 (continued)

(All amounts in thousands, except for number of shares and per share data)

	<i>Notes</i>	December 31, 2021 RMB	As at March 31, 2022 RMB <i>(unaudited)</i>	March 31, 2022 US\$ <i>(unaudited)</i>
Shareholders' equity:				
Ordinary shares (par value of US\$0.001 per share; 40,000,000,000 shares authorized as of December 31, 2021 and March 31, 2022; 3,805,284,810 and 3,805,284,801 shares issued, 3,646,381,840 and 3,653,179,567 shares outstanding as of December 31, 2021 and March 31, 2022, respectively)		24,782	24,824	3,916
Additional paid-in capital		18,245,801	18,341,302	2,893,269
Accumulated deficit		(7,458,752)	(8,012,001)	(1,263,862)
Accumulated other comprehensive loss	21	(207,882)	(219,621)	(34,644)
Total Kingsoft Cloud Holdings Limited shareholders' equity		10,603,949	10,134,504	1,598,679
Non-controlling interests		888,474	881,887	139,114
Total equity		11,492,423	11,016,391	1,737,793
Total liabilities, non-controlling interests and shareholders' equity		21,078,040	19,935,855	3,144,805

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial information.

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2022

(All amounts in thousands, except for number of shares and per share data)

	<i>Notes</i>	For the three months ended March 31,		
		2021	2022	2022
		<i>RMB</i>	<i>RMB</i>	<i>US\$</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenues:	<i>4, 19</i>			
Public cloud services (including related party amounts of RMB225,903 and RMB265,682 for the three months ended March 31, 2021 and 2022, respectively)		1,391,833	1,380,807	217,817
Enterprise cloud services (including related party amounts of RMB nil and RMB17,313 for the three months ended March 31, 2021 and 2022, respectively)		420,032	792,509	125,015
Others		1,667	493	78
Total revenues		<u>1,813,532</u>	<u>2,173,809</u>	<u>342,910</u>
Cost of revenues (including related party amounts of RMB6 and RMB nil for the three months ended March 31, 2021 and 2022, respectively)	<i>19</i>	(1,697,029)	(2,093,851)	(330,297)
Gross profit		116,503	79,958	12,613
Operating expenses:				
Selling and marketing expenses		(112,826)	(144,405)	(22,779)
General and administrative expenses		(91,177)	(221,763)	(34,982)
Research and development expenses		(264,636)	(246,633)	(38,905)
Total operating expenses		<u>(468,639)</u>	<u>(612,801)</u>	<u>(96,666)</u>

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2022 (continued)

(All amounts in thousands, except for number of shares and per share data)

	<i>Notes</i>	For the three months ended March 31,		
		2021	2022	2022
		<i>RMB</i>	<i>RMB</i>	<i>US\$</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating loss		(352,136)	(532,843)	(84,053)
Interest income		17,746	21,157	3,337
Interest expense		(3,866)	(34,066)	(5,374)
Foreign exchange loss		(48,375)	(18,741)	(2,956)
Other gain (loss), net		5,782	(12,035)	(1,898)
Other income, net		1,926	20,038	3,161
Loss before income taxes		(378,923)	(556,490)	(87,783)
Income tax (expense) benefit	14	(3,286)	1,670	263
Net loss		(382,209)	(554,820)	(87,520)
Less: net income (loss) attributable to non-controlling interests		255	(1,571)	(248)
Net loss attributable to Kingsoft Cloud Holdings Limited		(382,464)	(553,249)	(87,272)
Net loss per share:				
Basic and diluted	17	(0.11)	(0.15)	(0.02)
Shares used in the net loss per share computation:				
Basic and diluted	17	3,343,336,997	3,648,282,282	3,648,282,282
Other comprehensive income (loss), net of tax of nil:				
Foreign currency translation adjustments		70,773	(9,764)	(1,540)
Comprehensive loss		(311,436)	(564,584)	(89,060)
Less: Comprehensive income attributable to non-controlling interests		255	408	64
Comprehensive loss attributable to Kingsoft Cloud Holdings Limited shareholders		(311,691)	(564,992)	(89,124)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial information.

APPENDIX IB

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2022

(All amounts in thousands, except for number of shares and per share data)

	Ordinary shares						
	Number of shares*	Amount RMB	Additional paid-in capital RMB	Accumulated comprehensive (loss) income RMB	Accumulated deficit RMB	Total Kingsoft Cloud Holdings Limited shareholders' equity RMB	Total shareholders' equity RMB
Balance as of December 31, 2020	3,339,618,633	22,801	14,149,984	(68,440)	(5,864,356)	8,239,989	8,240,050
Adoption of ASC 326	-	-	-	-	(5,684)	(5,684)	(5,684)
Net loss	-	-	-	-	(382,464)	(382,464)	(382,209)
Other comprehensive income	-	-	-	70,773	-	70,773	70,773
Share-based compensation	-	-	123,113	-	-	123,113	123,113
Exercise and vesting of share-based awards	10,245,675	67	4,104	-	-	4,171	4,171
Balance as of March 31, 2021 (unaudited)	3,349,864,308	22,868	14,277,201	2,333	(6,252,504)	8,049,898	8,050,214
Balance as of December 31, 2021	3,646,381,840	24,782	18,245,801	(207,882)	(7,458,752)	10,603,949	11,492,423
Net loss	-	-	-	-	(553,249)	(553,249)	(554,820)
Other comprehensive (loss) income	-	-	-	(11,743)	-	(11,743)	(9,764)
Capital contribution from non-controlling interests	-	-	-	-	-	-	2,143
Disposal of a subsidiary	-	-	-	4	-	4	(9,134)
Share-based compensation	-	-	93,182	-	-	93,182	93,182
Exercise and vesting of share-based awards	6,797,727	42	2,319	-	-	2,361	2,361
Balance as of March 31, 2022 (unaudited)	3,653,179,567	24,824	18,341,302	(219,621)	(8,012,001)	10,134,504	11,016,391
Balance as of March 31, 2022, in US\$ (unaudited)	3,653,179,567	3,916	2,893,269	(34,644)	(1,263,862)	1,598,679	1,737,793

* As of March 31, 2021 and 2022, 196,260,647 and 152,105,234 ordinary shares, respectively, were issued in relation to the share awards. These shares are legally issued but not outstanding.

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial information.

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2022

(All amounts in thousands, except for number of shares and per share data)

	For the three months ended March 31,		
	2021	2022	2022
	<i>RMB</i>	<i>RMB</i>	<i>US\$</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	(382,209)	(554,820)	(87,520)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	180,466	287,481	45,349
Share-based compensation	123,113	93,182	14,699
Provision for credit losses	13,096	66,431	10,479
Changes in fair value of financial instruments	(5,782)	123	19
Impairment of equity investments	–	5,000	789
Changes in fair value of purchase consideration of a business acquisition	–	6,912	1,090
Impairment of contract costs	–	3,431	541
Foreign exchange loss	48,375	18,741	2,956
Deferred income tax	(29)	(2,782)	(439)
Non-cash operating lease expenses	14,564	18,129	2,860
Gain on disposal of property and equipment	(1)	(2,986)	(471)
Changes in operating assets and liabilities:			
Accounts receivable	(315,107)	(24,299)	(3,832)
Prepayment and other assets	(87,632)	70,927	11,188
Amounts due from related parties	15,629	(104,162)	(16,431)
Accounts payable	117,955	(339,292)	(53,522)
Accrued expenses and other liabilities	(224,425)	(138,184)	(21,798)
Operating lease liabilities	(1,767)	(8,455)	(1,334)
Amounts due to related parties	3,347	(2,650)	(418)
Income tax payable	3,256	(18,735)	(2,955)
Net cash used in operating activities	(497,151)	(626,008)	(98,750)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(212,172)	(620,953)	(97,953)
Disposals of property and equipment	–	3,720	587
Purchases of intangible assets	(1,249)	(1,413)	(223)
Purchases of short-term investments	(496,476)	(861,033)	(135,824)
Proceeds from maturities of short-term investments	543,952	957,525	151,046
Acquisition of business, net of cash acquired	(72,835)	(35)	(6)
Disposal of a subsidiary	–	(2,577)	(407)
Asset-related government grants received	600	–	–
Net cash used in investing activities	(238,180)	(524,766)	(82,780)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial information.

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2022 (continued)

(All amounts in thousands, except for number of shares and per share data)

	Notes	For the three months ended March 31,		
		2021	2022	2022
		RMB	RMB	US\$
		(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of short-term bank loans		–	(30,000)	(4,732)
Proceeds from short-term bank loans		96,000	172,977	27,286
Payments of [REDACTED] cost		(1,311)	(297)	(47)
Capital contribution from non-controlling interests		–	2,143	338
Repayment of loans due to related parties		–	(54,788)	(8,643)
Proceeds from exercise of options		4,165	7,574	1,195
		<u>98,854</u>	<u>97,609</u>	<u>15,397</u>
Net cash generated from financing activities		98,854	97,609	15,397
Effect of exchange rate changes on cash and cash equivalents, and restricted cash		5,251	(21,017)	(3,315)
Net decrease in cash and cash equivalents, and restricted cash		(636,477)	(1,053,165)	(166,133)
Cash and cash equivalents, and restricted cash at beginning of period		3,424,674	4,456,621	703,015
		<u>3,424,674</u>	<u>4,456,621</u>	<u>703,015</u>
Cash and cash equivalents, and restricted cash at end of period		<u>2,793,448</u>	<u>3,382,439</u>	<u>533,567</u>
Supplemental disclosures of cash flow information:				
Restricted cash		–	163,025	25,717
Income taxes paid		59	19,845	3,130
Interest expense paid		3,664	45,654	7,202
Cash payments for operating leases		578,086	1,409	222
Non-cash investing and financing activities:				
Purchases of property and equipment included in accrued expenses and other liabilities	12	198,180	524,581	82,751
Right-of-use assets obtained in exchange for operating lease liabilities		–	23,980	3,783
[REDACTED] costs included in accrued expenses and other liabilities		–	3,016	475

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial information.

APPENDIX IB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

(All amounts in thousands, except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PREPARATION

Kingsoft Cloud Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on January 3, 2012. The Company and its subsidiaries (including the Company’s subsidiaries, the variable interest entities, and subsidiaries of the variable interest entities) are hereinafter collectively referred to as the “Group”. The Group is principally engaged in the provision of cloud services. The Company does not conduct any substantive operations on its own but instead conducts its primary business operations through its subsidiaries, variable interest entities, and subsidiaries of the variable interest entities, which are located in the People’s Republic of China (the “PRC”), Hong Kong (“HK”) and the United States (the “U.S.”).

As of March 31, 2022, there have been no material changes to the Company’s principal subsidiaries, variable interest entities, and subsidiaries of the variable interest entities since December 31, 2021.

These unaudited interim condensed consolidated financial information of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information using accounting policies that are consistent with those used in the preparation of the Company’s audited consolidated financial information for the year ended December 31, 2021.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial information contain all normal recurring adjustments necessary to present fairly the financial position, operating results and cash flows of the Company for each of the periods presented. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of results to be expected for any other interim period or for the full year of 2022. The consolidated balance sheet as of December 31, 2021 was derived from the audited consolidated financial information at that date but does not include all of the disclosures required by U.S. GAAP for annual financial information. These unaudited interim condensed consolidated financial information should be read in conjunction with the Company’s consolidated financial information for the year ended December 31, 2021.

To comply with PRC laws and regulations which prohibit foreign control of companies that engage in value-added telecommunication services, the Group primarily conducts its business in the PRC through its variable interest entities, Zhuhai Kingsoft Cloud Technology Co., Ltd. and Kingsoft Cloud (Beijing) Information Technology Co., Ltd., and subsidiaries of its variable interest entities (collectively, the “VIEs”). The equity interests of the VIEs are legally held by PRC shareholders (the “Nominee Shareholders”). Despite the lack of technical majority ownership, the Company through Beijing Kingsoft Cloud Technology Co., Ltd. and Beijing Yunxiang Zhisheng Technology Co., Ltd. (collectively, the “WFOE”) has effective control of the VIEs through a series of contractual arrangements (the “Contractual Agreements”) and a parent-subsidiary relationship exists between the Company and the VIEs. Through the Contractual Agreements, the Nominee Shareholders effectively assigned all of their voting rights underlying their equity interests in the VIEs to the Company and therefore, the Company has the power to direct the activities of the VIEs that most significantly impact its economic performance. The Company also has the ability and obligation to absorb substantially all of the profits and all the expected losses of the VIEs that potentially could be significant to the VIEs. Therefore, the Company is the primary beneficiary of the VIEs. Based on the above, the Company consolidates the VIEs in accordance with SEC Regulation SX-3A-02 and Accounting Standards Codification (“ASC”) 810, *Consolidation* (“ASC 810”).

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

The following table sets forth the assets, liabilities, results of operations and cash flows of the VIEs and VIEs' subsidiaries included in the Company's condensed consolidated balance sheets, interim condensed consolidated statements of comprehensive loss and interim condensed consolidated statements of cash flows:

	December 31, 2021 RMB	As at March 31, 2022 RMB (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	2,209,647	1,195,395
Restricted cash	89,704	14,350
Accounts receivable, net of allowance for credit losses of RMB30,082 and RMB20,245 as of December 31, 2021 and March 31, 2022, respectively	3,170,860	3,062,754
Prepayments and other assets	907,350	967,939
Amounts due from related parties	184,137	285,703
Amounts due from subsidiaries of the Group	2,157,428	2,000,443
Total current assets	8,719,126	7,526,584
Non-current assets:		
Property and equipment, net	2,157,093	2,188,702
Intangible assets, net	93,662	83,152
Prepayments and other assets	27,036	23,374
Goodwill	64,082	48,814
Equity investments	162,244	167,185
Amounts due from related parties	4,712	4,712
Operating lease right-of-use assets	184,908	178,098
Total non-current assets	2,693,737	2,694,037
Total assets	11,412,863	10,220,621
LIABILITIES		
Current liabilities:		
Accounts payable	2,733,487	2,407,188
Accrued expenses and other liabilities	1,208,868	868,376
Short-term bank loans	1,348,166	1,485,000
Income tax payable	1,026	-
Amounts due to related parties	797,731	789,566
Current operating lease liabilities	70,672	70,172
Amounts due to subsidiaries of the Group	1,597,946	1,943,554
Total current liabilities	7,757,896	7,563,856
Non-current liabilities:		
Other liabilities	6,975	5,985
Non-current operating lease liabilities	121,057	123,595
Amounts due to related parties	472,882	414,152
Amounts due to subsidiaries of the Group	7,486,525	7,057,639
Total non-current liabilities	8,087,439	7,601,371
Total liabilities	15,845,335	15,165,227

APPENDIX IB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (continued)**

(All amounts in thousands, except for number of shares and per share data)

	For the three months ended March 31,	
	2021	2022
	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenues	1,688,141	1,453,024
Net loss	(380,102)	(571,892)
Net cash used in operating activities	(518,574)	(597,343)
Net cash used in investing activities	(217,870)	(583,552)
Net cash generated from financing activities	604,689	82,046

The carrying amounts of the assets, liabilities, and the results of operations of the VIEs and their subsidiaries are presented in aggregate due to the similarity of the purpose and design of the VIEs and their subsidiaries, the nature of the assets in these VIEs and their subsidiaries and the type of the involvement of the Company in these VIEs and their subsidiaries.

The revenue-producing assets that are held by the VIEs and their subsidiaries comprise mainly electronic equipment, and data center machinery and equipment. The VIEs and their subsidiaries contributed an aggregate of 93.09% and 66.84% of the Group’s consolidated revenue for the three months ended March 31, 2021 and 2022, respectively, after elimination of inter-entity transactions.

As of March 31, 2022, other than RMB750,000 of VIEs’ subsidiaries’ electronic equipment that was secured for the loans borrowed from Xiaomi Group (Note 19), and RMB14,350 of a VIE’s subsidiary’s restricted cash that was secured for certain payables to suppliers and to guarantee certain revenue contracts, there was no other pledge or collateralization of the VIEs and VIEs’ subsidiaries’ assets that can only be used to settle obligations of the VIEs and VIEs’ subsidiaries. Other than the amounts due to subsidiaries of the Group (which are eliminated upon consolidation), all remaining liabilities of the VIEs and VIE’s subsidiaries are without recourse to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of consolidated financial information in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in the Group’s interim condensed consolidated financial information include, but are not limited to, allowance for credit losses for accounts receivable, contract assets and amounts due from related parties, measurement of operating lease right-of-use assets and lease liabilities, impairment of long-lived assets, impairment of goodwill, useful lives of long-lived assets, realization of deferred tax assets, uncertain tax positions, share-based compensation expense, the purchase price allocation and fair value of non-controlling interests and contingent consideration with respect to business combinations, the fair value of equity investments and standalone selling prices of performance obligation of revenue contracts. Management bases the estimates on historical experience and various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could materially differ from those estimates.

Convenience translation

Amounts in U.S. dollars are presented for the convenience of the reader and are translated at the noon buying rate of RMB6.3393 per US\$1.00 on March 31, 2022 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at such rate.

APPENDIX IB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (continued)**

(All amounts in thousands, except for number of shares and per share data)

Restricted cash

Restricted cash mainly represents the cash reserved in escrow accounts for purchase consideration in relation to a business acquisition, cash secured for certain payables to suppliers and advances paid by certain customers to guarantee the Group’s performance under certain revenue contracts.

Equity investments

The Group’s equity investments are long-term investments in unlisted companies based in the PRC over which the Group neither has significant influence nor control through investment in common stock or in-substance common stock. As of December 31, 2021 and March 31, 2022, the carrying amounts of the Group’s equity investments measured using the measurement alternative were RMB207,166 and RMB211,744, respectively, including accumulated impairment of RMB nil and RMB5,000, and accumulated upward adjustment of RMB96,793 and RMB96,793, respectively. The Group recognized RMB5,782 and RMB nil of unrealized gains (upward adjustments), and RMB nil and RMB nil of unrealized losses (downward adjustments) resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer in other gain (loss), net on the interim condensed consolidated statements of comprehensive loss for the three months ended March 31, 2021 and 2022, respectively.

In February 2022, the Group disposed certain equity interests in Beijing Yunshu Xunlian Technology Co., Ltd. (“Beijing Yunshu”), and deconsolidated Beijing Yunshu’s financial results from the Group’s consolidated financial information from the date of disposal. The Group measured its remaining interests in Beijing Yunshu at fair value upon deconsolidation, and the loss recognized from the disposal of Beijing Yunshu was immaterial. Subsequent to the deconsolidation, the Group owns 15.63% equity interests in Beijing Yunshu and the remaining equity interests are accounted for using the measurement alternative.

Fair value measurements

Financial instruments of the Group primarily include cash and cash equivalents, restricted cash, short-term investments, accounts receivable, contract assets, equity investments, accounts payable, purchase consideration payable, certain other liabilities, amounts due from and due to related parties and bank loans. For equity investments, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. The Group, with the assistance of an independent third-party valuation firm, determined the estimated fair value of its equity investments using the alternative measurement. The carrying amounts of the bank loans approximate to their fair values due to the fact that the related interest rates approximate the interest rates currently offered by financial institutions for similar debt instruments of comparable maturities. The Group measures its purchase consideration payable at fair value on a recurring basis. The fair value of purchase consideration payable is estimated by discounting cash flows using interest rates currently available for similar debts instruments of comparable maturities (Level 2 fair value measurement). The Group applies ASC 820 in measuring fair value. ASC 820 defines fair value, establishes a framework for measuring fair value and requires disclosures to be provided on fair value measurement. The carrying amounts of the remaining financial instruments approximate to their fair values because of their short-term maturities.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs which are supported by little or no market activity.

APPENDIX IB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (continued)**

(All amounts in thousands, except for number of shares and per share data)

ASC 820 describes three main approaches to measuring 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.

Adoption of ASC 326

On January 1, 2021, the Group adopted ASC 326, *Credit Losses* (“ASC 326”) which replaced previously issued guidance regarding the impairment of financial instruments with an expected loss methodology that will result in more timely recognition of credit losses. The Group used a modified retrospective approach and did not restate the comparable prior periods, which resulted in a cumulative effect to increase the opening balance of accumulated deficit on January 1, 2021 by RMB5,684.

Accounts receivable and contract assets, net

The Group maintains an allowance for credit losses in accordance with ASC 326 and records the allowance for credit losses as an offset to accounts receivable and contract assets, and the estimated credit losses charged to the allowance is classified as “General and administrative expenses” in the interim condensed consolidated statements of comprehensive loss. The Group assesses collectability by reviewing accounts receivable and contract assets on a collective basis where similar characteristics exist and on an individual basis when the Group identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Group considers historical collectability based on past due status, the age of the accounts receivable and contract assets balances, credit quality of the Group’s customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Group’s ability to collect from customers.

Share-based compensation

The Group applies ASC 718, *Compensation – Stock Compensation* (“ASC 718”), to account for its employee share-based payments. In accordance with ASC 718, the Group determines whether an award should be classified and accounted for as a liability award or equity award. All the Group’s share-based awards to employees only and are classified as equity awards and are recognized in the consolidated financial information based on their grant date fair values.

The Group uses the accelerated method for all awards granted with graded vesting based on service conditions, and elected to account for forfeitures as they occur. The Group, with the assistance of an independent third party valuation firm, determined the fair value of the share-based awards granted to employees. The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees.

A change in the terms or conditions of share options is accounted for as a modification of share-based awards. The Group calculates the incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested share-based awards, the Group recognizes incremental compensation cost in the period the modification occurred. For unvested share-based award, the Group recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

APPENDIX IB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (continued)**

(All amounts in thousands, except for number of shares and per share data)

Concentration of credit risks

The Group expects that there is no significant credit risk associated with cash and cash equivalents, restricted cash and short-term investments, which were held by reputable financial institutions in the jurisdictions where the Company, its subsidiaries, the VIEs and the subsidiaries of VIEs are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality.

Accounts receivable and contract assets are typically unsecured and are derived from revenues earned from reputable customers. As of December 31, 2021 and March 31, 2022, the Group had two customers, with accounts receivable balances exceeding 10% of the total accounts receivable balances. As of December 31, 2021, the Group had one customer, with a contract asset balance exceeding 10% of the total contract asset balance. As of March 31, 2022, no individual customer accounted for more than 10% of the total contract assets balance. The risks with respect to accounts receivable and contract assets are mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances.

Impact of COVID-19

For the three months ended March 31, 2021 and 2022, COVID-19 has had immaterial impact on the Group’s operations. There are still uncertainties of COVID-19’s future impact, and the extent of the impact will depend on a number of factors, including the duration and severity of the pandemic; the uneven impact to certain industries; and the macroeconomic impact of government measures to contain the spread of COVID-19 and related government stimulus measures. As a result, certain of the Group’s estimates and assumptions, including allowance for credit losses, equity investments, long-lived assets and goodwill subject to impairment assessments, require increased judgment and carry a higher degree of variability and volatility that could result in material changes to the Group’s estimates in future periods.

Recent accounting pronouncements

In November 2021, the FASB issued ASU No. 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. This update requires certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. This update is effective for annual periods beginning after December 15, 2021, and early application is permitted. This guidance should be applied either prospectively to all transactions that are reflected in financial information at the date of initial application and new transactions that are entered into after the date of initial application or retrospectively to those transactions. The Group adopted this guidance on January 1, 2022 and does not expect any material impact on the Group’s consolidated financial information as a result of adopting the new standard.

3. BUSINESS COMBINATION

Acquisition of Shenzhen Yunfan

In March 2021, the Group completed the acquisition of 100% equity interest in Shenzhen Yunfan Acceleration Technology Co., Ltd. and its subsidiary (collectively, “Shenzhen Yunfan”). Shenzhen Yunfan is mainly engaged in providing content distribution, acceleration and other cloud-related IaaS and PaaS edge computing solutions, and the acquisition is expected to enhance the Group’s expertise in public cloud services. The results of Shenzhen Yunfan have been included in the Group’s consolidated financial information since April 2021.

The total cash purchase price consideration was RMB126,400. The Group recognized RMB586 of net assets acquired excluding intangible assets, RMB77,000 of intangible assets which comprised of technology, trademark and domain name, and RMB48,814 of goodwill resulted from the acquisition. Goodwill recognized represents the expected synergies from integrating Shenzhen Yunfan with the Group’s existing cloud business and is not deductible for tax purposes.

APPENDIX IB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (continued)**

(All amounts in thousands, except for number of shares and per share data)

Acquisition of Camelot

In September 2021, the Group completed the acquisition of Camelot Technology Co., Ltd. and its subsidiaries (collectively referred to as “Camelot”). Camelot is mainly engaged in enterprise digital solutions and enterprise digital services, and the acquisition is expected to further develop the Group’s enterprise cloud business. The results of Camelot have been included in the consolidated financial information of the Group since September 2021.

The total purchase consideration was RMB5,290,553, which consisted of cash consideration of RMB751,974 and equity consideration of RMB4,538,579. Goodwill recognized represents the expected synergies from integrating Camelot with the Group’s existing enterprise cloud business and is not tax deductible. The table below summarizes the estimated fair values of the assets acquired and liabilities assumed from Camelot as of the acquisition date:

	Camelot RMB
Total fair value of purchase consideration	5,290,553
Less:	
Cash and cash equivalents	618,439
Restricted cash	1,126
Accounts receivable and other assets	940,297
Property and equipment, net	12,224
Intangible assets:	
Customer relationship	620,100
Trademarks	474,000
Copyrights	34,100
Deferred tax assets	59,060
Deferred tax liabilities	(268,490)
Accounts payable and other liabilities	(878,885)
Non-controlling interests	(882,451)
	<hr/>
Goodwill	4,561,033
	<hr/> <hr/>

The purchase price allocation of Camelot is substantially complete with the exception of, primarily, certain tax matters. Any measurement period adjustments resulting from the finalization of the Group’s purchase price allocation are not expected to be material.

The valuations used in the purchase price allocation for the acquisitions were determined by the Group with the assistance of independent third-party valuation firms using the income approach (a Level 3 measurement). Significant assumptions used in the valuation of intangible assets included projected revenue growth rates, operating margin, customer attrition rates, royalty rates and discount rate. Non-controlling interests at the acquisition date was measured by applying the equity percentage held by non-controlling shareholders and a discount for lack of control premium to the fair value of the acquired business of Camelot.

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (continued)**

(All amounts in thousands, except for number of shares and per share data)

4. REVENUES

The following table presents the Group’s revenues from contracts with customers disaggregated by material revenue category:

	For the three months ended March 31,	
	2021	2022
	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Public cloud services recognized over time	1,391,833	1,380,807
Enterprise cloud services:		
Recognized at a point in time	417,906	265,609
Recognized over time	2,126	526,900
	420,032	792,509
Others:		
Recognized at a point in time	1,025	–
Recognized over time	642	493
	1,667	493
	1,813,532	2,173,809

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at March 31, 2022 are primarily related to enterprise cloud services, which are as follows:

	<i>RMB</i>
	<i>(unaudited)</i>
Within one year	37,226
More than one year	27,197
Total	64,423

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

Contract Balances

Contract liabilities relate to contracts where the Group received payments but has not yet satisfied the related performance obligations. The advance consideration received from customers for the services is a contract liability until services are provided to the customer.

	For the three months ended March 31,	
	2021	2022
	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue recognized from amounts included in contract liabilities at the beginning of the period	35,439	103,873

5. ACCOUNTS RECEIVABLE, NET

	As at	
	December 31,	March 31,
	2021	2022
	<i>RMB</i>	<i>RMB</i>
		<i>(unaudited)</i>
Accounts receivable	3,603,240	3,557,695
Allowance for credit losses	(32,265)	(32,384)
Accounts receivable, net	3,570,975	3,525,311

An ageing analysis of the trade receivables as at December 31, 2021 and March 31, 2022, based on the past due date and net of provisions, is as follows:

	As at	
	December 31,	March 31,
	2021	2022
	<i>RMB</i>	<i>RMB</i>
		<i>(unaudited)</i>
Not yet due	2,411,907	1,698,240
Within 3 months	478,156	403,263
Between 4 months and 6 months	202,060	944,644
Between 7 months and 1 year	371,200	308,565
More than 1 year	107,652	170,599
Accounts receivable, net	3,570,975	3,525,311

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

The movements of the allowance for credit losses were as follows:

	For the three months ended March 31,	
	2021	2022
	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Balance at beginning of the period	15,770	32,265
Adoption of ASC 326*	5,684	–
Provision for expected credit losses	13,096	78,811
Write-offs charged against the allowance	(24,783)	(67,903)
Recoveries during the period	–	(10,789)
	<u>9,767</u>	<u>32,384</u>

* Starting from January 1, 2021, the Group adopted ASC 326, which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. The Group used a modified retrospective approach with a cumulative effect of increasing the opening balance of accumulated deficit approximately of RMB5,684.

6. PREPAYMENTS AND OTHER ASSETS

	As at	
	December 31,	March 31,
	2021	2022
	<i>RMB</i>	<i>RMB</i>
		<i>(unaudited)</i>
Current portion:		
Prepayments to suppliers	162,528	158,622
Contract costs*	145,628	151,153
Contract assets, net**	550,068	528,691
VAT prepayments	619,391	670,080
Interest receivable	21,463	18,027
Individual income tax receivable*** <i>(Note 12)</i>	48,949	5,669
Others	138,994	136,903
	<u>1,687,021</u>	<u>1,669,145</u>
Non-current portion:		
Prepayments for electronic equipment	25,388	20,965
Others	3,678	2,852
	<u>29,066</u>	<u>23,817</u>

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

- * Represents costs incurred in advance of revenue recognition arising from direct and incremental costs related to enterprise cloud services provided. Such contract costs are recognized as cost of revenue upon the recognition of the related revenues.
- ** Represents the Group’s rights to consideration for work completed in relation to its services performed but not billed at the end of respective periods. The allowance for credit losses on contract assets was RMB1,591 and RMB nil as of December 31, 2021 and March 31, 2022, respectively. The amounts charged to expenses for credit losses on contract assets and recoveries from the allowance were RMB2,586 and RMB4,177 for the three months ended March 31, 2022, respectively.
- *** Represents amounts due from certain employees related to their individual income taxes (“IIT”) arising from exercise and vesting of share-based awards.

7. PROPERTY AND EQUIPMENT, NET

	As at	
	December 31,	March 31,
	2021	2022
	<i>RMB</i>	<i>RMB</i>
		<i>(unaudited)</i>
Electronic equipment	5,123,149	5,410,893
Office equipment and fixtures	15,462	15,768
Data center machinery and equipment	144,328	144,328
Building	15,768	158,434
Construction in progress	147,817	3,435
	<u>5,446,524</u>	<u>5,732,858</u>
Less: accumulated depreciation	(3,082,421)	(3,311,696)
	<u>2,364,103</u>	<u>2,421,162</u>

Depreciation expense of the property and equipment for the three months ended March 31, 2021 and 2022 was RMB176,683 and RMB244,727, respectively.

8. INTANGIBLE ASSETS, NET

	As at	
	December 31,	March 31,
	2021	2022
	<i>RMB</i>	<i>RMB</i>
		<i>(unaudited)</i>
Customer relationships	620,100	620,833
Patents and technologies	67,900	60,900
Trademarks and domain names	497,098	497,043
Software and copyrights	71,752	77,800
Others	3,637	3,147
	<u>1,260,487</u>	<u>1,259,723</u>

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

	As at	
	December 31,	March 31,
	2021	2022
	<i>RMB</i>	<i>RMB</i>
		<i>(unaudited)</i>
Less: accumulated amortization		
Customer relationships	(32,637)	(57,146)
Patents and technologies	(8,138)	(10,150)
Trademarks and domain names	(20,722)	(33,093)
Software and copyrights	(26,692)	(35,042)
Others	(2,531)	(2,474)
	<u>(90,720)</u>	<u>(137,905)</u>
Intangible assets, net	<u>1,169,767</u>	<u>1,121,818</u>

Amortization expense of intangible assets for the three months ended March 31, 2021 and 2022 was RMB3,783 and RMB42,754, respectively. As of March 31, 2022, estimated amortization expense of the existing intangible assets for each of the next five years is as follows:

	<i>RMB</i>
	<i>(unaudited)</i>
Remaining nine months of 2022	127,673
2023	169,313
2024	167,653
2025	165,195
2026 and thereafter	<u>491,984</u>
Total	<u>1,121,818</u>

9. GOODWILL

The changes in the carrying amount of goodwill were as follows:

	Cloud service	Cloud-based	
	and solutions	digital solutions	
	<i>RMB</i>	<i>RMB</i>	Total
			<i>RMB</i>
Balance as of December 31, 2021	3,669,031	956,084	4,625,115
Disposal of a subsidiary (unaudited)	<u>(15,268)</u>	<u>-</u>	<u>(15,268)</u>
Balance as of March 31, 2022 (unaudited)	<u>3,653,763</u>	<u>956,084</u>	<u>4,609,847</u>

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

10. LEASES

As of March 31, 2022, the undiscounted future minimum payments under the Group’s operating lease liabilities and reconciliation to the operating lease liabilities recognized on the interim condensed consolidated balance sheets were as below:

	<i>RMB</i> <i>(unaudited)</i>
Remaining nine months of 2022	110,655
2023	64,238
2024	55,303
2025	34,042
2026 and thereafter	<u>75,599</u>
Total future lease payments	339,837
Less: imputed interest	<u>(54,414)</u>
Total lease liability balance	<u><u>285,423</u></u>

11. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at December 31, 2021 and March 31, 2022, based on the invoice date, is as follows:

	As at	
	December 31, 2021	March 31, 2022
	<i>RMB</i>	<i>RMB</i> <i>(unaudited)</i>
Within 3 months	1,340,662	1,070,161
Between 4 months and 1 year	1,209,146	1,084,889
More than 1 year	<u>388,824</u>	<u>425,668</u>
Accounts payable	<u><u>2,938,632</u></u>	<u><u>2,580,718</u></u>

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As at	
	December 31,	March 31,
	2021	2022
	<i>RMB</i>	<i>RMB</i>
		<i>(unaudited)</i>
Current portion:		
Customer advances	378,957	341,712
Salary and welfare payable	600,775	534,855
Purchase of property and equipment	759,391	524,581
Accrued expenses	116,021	101,039
Other tax and surcharges payable	91,287	83,455
Deferred government grants	8,488	5,339
Purchase consideration payable*	148,038	147,399
Individual income tax payable** <i>(Note 6)</i>	48,949	2,418
Others	71,934	102,395
	<u>2,223,840</u>	<u>1,843,193</u>
Non-current portion:		
Deferred government grants	6,975	5,985
Purchase consideration payable*	1,180,470	1,187,382
Others	45,232	46,302
	<u>1,232,677</u>	<u>1,239,669</u>

* The amount represents the remaining purchase consideration to acquire Camelot. As of March 31, 2022, the current portion represents amounts reserved in escrow accounts, among which, RMB123,654 was released to the selling shareholders in May 2022. The non-current portion of RMB253,171 and RMB934,211 will be settled by cash and ordinary shares of the Company, respectively, by June 30, 2023.

** Represents IIT payable to the tax bureau on behalf of certain employees related to their exercise and vesting of share-based awards.

13. BANK LOANS

	As at	
	December 31,	March 31,
	2021	2022
	<i>RMB</i>	<i>RMB</i>
		<i>(unaudited)</i>
Short-term bank loans	<u>1,348,166</u>	<u>1,491,144</u>
	<u>1,348,166</u>	<u>1,491,144</u>

APPENDIX IB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (continued)**

(All amounts in thousands, except for number of shares and per share data)

The weighted average interest rate for the outstanding short-term bank loans as of December 31, 2021 and March 31, 2022 was 4.59%. The maturity dates for the outstanding loans as of March 31, 2022 range from May 2022 to March 2023.

There are no commitment fees and conditions under which lines may be withdrawn associated with the Group's unused facilities.

14. TAXATION

There is an immaterial provision for income taxes because the Company and a majority of its consolidated entities are in a current loss position for all the periods presented. The Company recorded a full valuation allowance against deferred tax assets of a majority of its consolidated entities because they were in a cumulative loss position as of December 31, 2021 and March 31, 2022.

As of December 31, 2021 and March 31, 2022, the Group had unrecognized tax benefits of RMB59,049 and RMB41,345, of which RMB43,095 and RMB24,118, respectively, were deducted against the deferred tax assets on tax losses carried forward, and the remaining amounts of RMB15,954 and RMB17,227, respectively, were presented in other liabilities in the interim condensed consolidated balance sheets. The Group's unrecognized tax benefits for the years ended December 31, 2021 and March 31, 2022, were primarily related to the tax-deduction of accrued interest expenses and profit before tax differences. It is possible that the amount of unrecognized benefits will change in the next 12 months; however, an estimate of the range of the possible change cannot be made at this moment. As of December 31, 2021 and March 31, 2022, there are RMB15,954 and RMB17,227 of unrecognized tax benefits that if recognized would impact the annual effective tax rate, respectively. For the periods presented, the Group did not record any interest related to unrecognized tax benefits. In general, the tax authorities have three to five years to conduct examinations of the tax filings of the Group's subsidiaries. Accordingly, the subsidiaries' tax years of 2018 through 2021 remain open to examination by the respective tax authorities.

15. SHARE-BASED PAYMENTS

During the three months ended March 31, 2022, the Board of Directors approved the grants of 76,895,312 awards and 8,417,040 awards to employees under the Share Award Scheme and Share Option Scheme, respectively. The share-based awards are accounted for as equity awards and generally contain service vesting conditions, which generally vest over a period from two to five years. The fair value of the awarded shares is the price of the Company's publicly traded shares at their respective grant dates.

Fair value of share options

The fair value of share options was determined using the binomial tree model, with the assistance from an independent third-party appraiser. The binomial model requires the input of highly subjective assumptions, including the expected share price volatility and the exercise multiple. For expected volatility, the Company has made reference to historical volatility of several comparable companies. The exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested options. As the Company did not have sufficient information of past employee exercise history, it has considered the statistics on exercise patterns of employees compiled by Huddart and Lang in Huddart, S., and M. Lang. 1996. "Employee Stock Option Exercises: An Empirical Analysis." *Journal of Accounting and Economics*, vol. 21, no. 1 (February):5-43, which are widely adopted by valuers as authoritative guidance on expected exercise multiples. For the employee exit rate, which represents the annual turnover rate of employees leaving services, the Group uses the historical employee exiting data to have an estimate of that input. The risk-free rate for the period within the contractual life of the options is based on the market yield of U.S. Treasury Bonds in effect at the time of grant.

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

The assumptions used to estimate the fair value of the share options granted are as follows:

	For the three months ended March 31,	
	2021	2022
Risk-free rate	1.13%-1.62%	1.75%-2.00%
Expected volatility range	37.00%-38.03%	35.62%-42.06%
Exercise multiple	2.20-2.80	2.20
Fair market value per ordinary share as at valuation dates	US\$3.04-US\$3.49	US\$0.33-US\$0.73

Share based compensation expense for the three months ended March 31, 2021 and 2022 was RMB123,113 and RMB93,182, respectively.

16. RESTRICTED NET ASSETS

Under PRC laws and regulations, there are restrictions on the Company’s PRC subsidiaries and the VIEs with respect to transferring certain of their net assets to the Company either in the form of dividends, loans, or advances. Amounts of net assets restricted include paid in capital and statutory reserve funds of the Company’s PRC subsidiaries and the net assets of the VIEs and VIEs’ subsidiaries in which the Company has no legal ownership, totaling RMB3,590,295 as of March 31, 2022.

17. LOSS PER SHARE

Basic and diluted loss per share for the periods presented are calculated as follows:

	For the three months ended March 31,	
	2021	2022
	<i>RMB</i>	<i>RMB</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Numerator:		
Net loss attributable to ordinary shareholders – basic and diluted	<u>(382,464)</u>	<u>(553,249)</u>
Denominator:		
Weighted average number of ordinary shares outstanding – basic and diluted	<u>3,343,336,997</u>	<u>3,648,282,282</u>
Basic and diluted loss per share	<u>(0.11)</u>	<u>(0.15)</u>

For the periods presented herein, the computation of basic loss per share using the two-class method is not applicable. The effects of all outstanding options and awarded shares were excluded from the computation of diluted loss per share for the periods presented as their effects would be anti-dilutive.

18. TREASURY STOCK

In March 2022, the Company was authorized to adopt a share repurchase program under which the Company may repurchase up to US\$100,000 of its ordinary shares in the form of ADSs during a twelve-month period. As of March 31, 2022, no shares have been repurchased by the Company.

APPENDIX IB

UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

19. RELATED PARTY TRANSACTIONS

(a) Related Parties

Name of related parties	Relationship with the Group
Kingsoft Corporation Limited (“Kingsoft”) and its subsidiaries (“Kingsoft Group”)	Principal shareholder of the Company
Xiaomi Corporation and its subsidiaries (“Xiaomi Group”)	Entities controlled by a director of the Company

(b) The Group had the following related party transactions:

	For the three months ended March 31,	
	2021 RMB (unaudited)	2022 RMB (unaudited)
Revenues:		
Public cloud services provided to Xiaomi Group	193,913	220,741
Public cloud services provided to Kingsoft Group	31,990	44,941
Enterprise cloud services provided to Xiaomi Group	–	15,275
Enterprise cloud services provided to Kingsoft Group	–	2,038
	<u>225,903</u>	<u>282,995</u>
Purchase of devices from Xiaomi Group	69	29
Interest expense on loan due to Xiaomi Group	–	11,386
Interest expense on loan due to Kingsoft Group	–	5,812
Rental of building from Xiaomi Group*	16,662	13,305
Administrative services from Kingsoft Group	3,025	3,557
	<u>19,756</u>	<u>34,089</u>

* The Group entered into agreements to lease building and office space from Xiaomi Group. As of December 31, 2021 and March 31, 2022, the related operating lease right-of-use assets amounted to RMB210,551 and RMB201,889 and operating lease liabilities amounted to RMB238,180 and RMB241,445, respectively.

(c) The Group had the following related party balances at the end of the periods:

	As at	
	December 31, 2021 RMB	March 31, 2022 RMB (unaudited)
Amounts due from related parties:		
Xiaomi Group	175,170	270,138
Kingsoft Group	37,731	46,926
	<u>212,901</u>	<u>317,064</u>

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

	As at December 31, 2021 RMB	March 31, 2022 RMB (unaudited)
Amounts due to related parties:		
Kingsoft Group*	544,376	543,330
Xiaomi Group**	764,941	695,559
	1,309,317	1,238,889

* During 2021, the Group entered into a loan agreement with Kingsoft Group for an aggregate principal amount of RMB500,000 bearing a fixed annual interest rate of 4.65%. The loan will be repaid in November 2022.

** During 2021, the Group entered into several loan agreements with Xiaomi Group which are secured by the Group’s electronic equipment. As of December 31, 2021 and March 31, 2022, the fixed interest rate for these loans was 4.36%. As of December 31, 2021 and March 31, 2022, the current portion of the loans was RMB236,206 and RMB238,543, and the non-current portion of the loans was RMB472,882 and RMB414,152, respectively. Under the terms of the agreements, the Group will repay in fixed quarterly installments over 3 years according to the following schedule:

	2022 RMB
Remaining nine months of 2022	179,813
2023	241,168
2024	231,714
	652,695

All the balances with related parties except for the loans from Xiaomi Group were unsecured. All outstanding balances except for loans from Xiaomi Group and Kingsoft Group are repayable on demand unless otherwise disclosed. The credit losses for the amount due from related parties were immaterial for the periods presented.

20. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments

The Group has commitments for the construction of a data center of RMB34,312 at March 31, 2022, which are scheduled to be paid within one year.

Contingencies

The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group’s business, financial position or results of operations.

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

21. ACCUMULATED OTHER COMPREHENSIVE LOSS

	<i>RMB</i>
Balance as of January 1, 2021	(68,440)
Foreign currency translation adjustments, net of tax of nil	70,773
	<u>2,333</u>
Balance as of March 31, 2021 (unaudited)	<u>2,333</u>
Balance as of January 1, 2022	(207,882)
Disposal during the year	4
Foreign currency translation adjustments, net of tax of nil	(11,743)
	<u>(219,621)</u>
Balance as of March 31, 2022 (unaudited)	<u>(219,621)</u>

There have been no reclassifications out of accumulated other comprehensive loss to net loss for the periods presented.

22. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The interim financial information are prepared in accordance with U.S. GAAP, which differs in certain respects from International Financial Reporting Standards (“IFRSs”). The effects of material differences between the interim financial information of the Group prepared under U.S. GAAP and IFRSs are as follows:

Consolidated Statements of Comprehensive Income (Loss) (Extract)	For the three months ended March 31, 2021						Amount as Reported under IFRSs <i>RMB</i>
	Amount as Reported under US GAAP <i>RMB</i>	IFRSs adjustments					
		Preferred Shares <i>(Note (i))</i> <i>RMB</i>	Operating leases <i>(Note (ii))</i> <i>RMB</i>	Equity investments <i>(Note (iii))</i> <i>RMB</i>	Share-based Compensation <i>(Note (iv))</i> <i>RMB</i>	Issuance costs <i>(Note (v))</i> <i>RMB</i>	
Cost of revenues	(1,697,029)	-	950	-	957	-	(1,695,122)
Selling and marketing expenses	(112,826)	-	-	-	3,672	-	(109,154)
General and administrative expenses	(91,177)	-	873	-	(4,675)	-	(94,979)
Research and development expenses	(264,636)	-	-	-	1,226	-	(263,410)
Interest expense	(3,866)	-	(5,758)	-	-	-	(9,624)
Other gain (loss), net	5,782	-	-	(6,601)	-	-	(819)
Other income, net	1,926	-	-	8,839	-	-	10,765
		<u>-</u>	<u>-</u>	<u>8,839</u>	<u>-</u>	<u>-</u>	
(Loss) income before income taxes	(378,923)	<u>-</u>	<u>(3,935)</u>	<u>2,238</u>	<u>1,180</u>	<u>-</u>	(379,440)
Net (loss) income	(382,209)	<u>-</u>	<u>(3,935)</u>	<u>2,238</u>	<u>1,180</u>	<u>-</u>	(382,726)
Net (loss) income attributable to ordinary shareholders	(382,464)	<u>-</u>	<u>(3,935)</u>	<u>2,238</u>	<u>1,180</u>	<u>-</u>	<u>(382,981)</u>

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

Consolidated Statements of Comprehensive Income (Loss) (Extract)	For the three months ended March 31, 2022						Amount as reported under IFRSs
	Amount as reported under US GAAP	IFRSs adjustments					
		Preferred Shares	Operating leases	Equity investments	Share-based compensation	Issuance costs	
		(Note (i))	(Note (ii))	(Note (iii))	(Note (iv))	(Note (v))	
RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Cost of revenues	(2,093,851)	–	950	–	636	–	(2,092,265)
Selling and marketing expenses	(144,405)	–	–	–	(1,918)	–	(146,323)
General and administrative expenses	(221,763)	–	1,509	–	(1,134)	(2,949)	(224,337)
Research and development expenses	(246,633)	–	–	–	2,249	–	(244,384)
Interest expense	(34,066)	–	(3,353)	–	–	–	(37,419)
Other (loss) gain, net	(12,035)	–	–	252	–	–	(11,783)
Other income (expense), net	20,038	–	–	(5,736)	–	–	14,302
Loss before income taxes	(556,490)	–	(894)	(5,484)	(167)	(2,949)	(565,984)
Net loss	(554,820)	–	(894)	(5,484)	(167)	(2,949)	(564,314)
Net loss attributable to ordinary shareholders	(553,249)	–	(894)	(5,484)	(167)	(2,949)	(562,743)
Other comprehensive (loss) income, net of tax of nil							
– Foreign currency translation adjustments	(9,764)	–	1	–	–	4	(9,759)
As of March 31, 2021							
Consolidated Balance Sheet (Extract)	Amount as reported under US GAAP	IFRSs adjustments					Amount as reported under IFRSs
		Preferred Shares	Operating leases	Equity investments	Share-based compensation	Issuance costs	
		(Note (i))	(Note (ii))	(Note (iii))	(Note (iv))	(Note (v))	
	RMB	RMB	RMB	RMB	RMB		
Property and equipment, net	1,945,060	–	1,628	–	–	–	1,946,688
Equity investments	132,538	–	–	(13,620)	–	–	118,918
Operating lease right-of-use assets	279,142	–	(12,051)	–	–	–	267,091
Total assets	11,921,272	–	(10,423)	(13,620)	–	–	11,897,229
Non-current operating lease liabilities	200,928	–	1,141	–	–	–	202,069
Total liabilities	3,871,056	–	1,141	–	–	–	3,872,197
Additional paid-in capital	14,277,201	2,236,919	–	–	(58,241)	21,205	16,477,084
Accumulated deficit	(6,252,504)	(1,700,368)	(11,566)	(13,620)	58,241	(20,665)	(7,940,482)
Accumulated other comprehensive income (loss)	2,335	(536,551)	2	–	–	(540)	(534,754)
Total shareholders' equity (deficit)	8,050,216	–	(11,564)	(13,620)	–	–	8,025,032

APPENDIX IB **UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

(All amounts in thousands, except for number of shares and per share data)

Consolidated Balance Sheet (Extract)	As of March 31, 2022						Amount as reported under IFRSs
	Amount as reported under US GAAP	IFRSs adjustments					
		Preferred Shares	Operating leases	Equity investments	Share-based compensation	Issuance costs	
		(Note (i))	(Note (ii))	(Note (iii))	(Note (iv))	(Note (v))	
RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Prepayments and other assets	1,669,145	-	-	-	-	(2,945)	1,666,200
Property and equipment, net	2,421,162	-	1,500	-	-	-	2,422,662
Equity investments	211,744	-	-	(67,498)	-	-	144,246
Operating lease right-of-use assets	265,322	-	(15,235)	-	-	-	250,087
Total assets	19,935,855	-	(13,735)	(67,498)	-	(2,945)	19,851,677
Additional paid-in capital	18,341,302	2,236,919	-	-	(63,455)	21,205	20,535,971
Accumulated deficit	(8,012,001)	(1,700,368)	(13,742)	(67,498)	63,455	(23,614)	(9,753,768)
Accumulated other comprehensive (income) loss	(219,621)	(536,551)	7	-	-	(536)	(756,701)
Total shareholders' equity (deficit)	11,016,391	-	(13,735)	(67,498)	-	(2,945)	10,932,213

Notes:

(i) Preferred Shares

Under U.S. GAAP, SEC guidance provides for mezzanine-equity (temporary equity) category for financial instruments that are not mandatorily redeemable in addition to the financial liability and permanent equity categories. The Company classified the convertible preferred shares and redeemable convertible preferred shares as mezzanine equity in the consolidated balance sheets, net of issuance costs, and recognized accretion to the respective redemption value.

Under IFRSs, the redeemable convertible preferred shares are split and accounted for as follows: (i) financial liability stated at amortized cost for the host financial liability; (ii) derivative financial liability measured at fair value with changes in fair value through profit or loss for the conversion rights; and (iii) the residual amount recorded in equity.

(ii) Operating leases

Under U.S. GAAP, the Group remeasures lease liabilities for operating leases at the present value of the remaining lease payments, while right-of-use assets are remeasured at the amount of the lease liability, adjusted for the remaining balance of any lease incentives received, cumulative prepaid or accrued rents, unamortized initial direct costs and any impairment. This treatment under U.S. GAAP results in straight line expense being incurred over the lease term.

Under IFRSs, the amortization of right-of-use assets is on a straight-line basis while interest expenses related to lease liabilities are measured on the basis that the lease liabilities are measured at amortized cost, which would generally result in more expense recorded in the earlier years of the lease.

APPENDIX IB

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (continued)**

(All amounts in thousands, except for number of shares and per share data)

(iii) Equity investments

Equity investments primarily comprise investments that are not in-substance common stock. Under U.S. GAAP, if such investments do not have readily determinable fair value and do not qualify for the existing practical expedient in ASC 820 to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Group elected to use the measurement alternative to measure all its investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

Under IFRSs, investments over which the Group is in a position to exercise significant influence or has joint control are stated in the consolidated balance sheets at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

(iv) Share-based compensation

Under U.S. GAAP, the Group elected to account for forfeitures as they occur.

Under IFRSs, the share-based compensation expenses for the share options and restricted share units that have satisfied the service condition were recorded with the likelihood of the conditions being met and assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest.

(v) Issuance costs

Under U.S. GAAP, specific incremental issuance costs directly attributable to a proposed or actual offering of securities may be deferred and charged against the gross proceeds from the offering.

Under IFRSs, such issuance costs apply different criteria for capitalization when the listing involves both existing shares and a concurrent issuance of new shares of the Company in the capital market, and were allocated proportionately between the existing and new shares. As a result, the Group recorded issuance costs associated with the listing of existing shares in profit or loss.

23. SUBSEQUENT EVENT

In June 2022, the Company entered into a cash enhanced share repurchase agreement with Goldman Sachs International (“GSI”), and prepaid US\$5,000 to GSI for a written put option on the Company’s ordinary shares. The transaction will be settled in September 2022.