



GLOBAL OFFERING

Kuaishou Technology 快手科技

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

Stock Code: 1024

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

Morgan Stanley

BofA SECURITIES

 **China Renaissance 华兴资本**

Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



Kuaishou Technology 快手科技

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 365,218,600 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 9,130,500 Offer Shares (subject to reallocation and adjustment)
Number of International Offer Shares	: 356,088,100 Offer Shares (subject to reallocation, adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$115.00 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.0000053 per Share
Stock code	: 1024

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

Morgan Stanley

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China Renaissance 华兴资本

Joint Bookrunners and Joint Lead Managers



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 "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, 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. The Securities and Futures Commission of Hong Kong 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 Offer Price is expected to be determined by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on or around Friday, January 29, 2021 and, in any event, no later than Tuesday, February 2, 2021. The Offer Price will not be more than HK\$115.00 per Offer Share and is expected to be not less than HK\$105.00 per Offer Share, unless otherwise announced. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$115.00 per Hong Kong Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$115.00 per Offer Share.

If, for any reason, our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, February 2, 2021, the Global Offering will not proceed and will lapse.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus (which is HK\$105.00 to HK\$115.00) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.kuaishou.com. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Representatives (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting — Underwriting Arrangements — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States or for the account or benefit of U.S. persons in offshore transactions, except that Offer Shares may be offered, sold or delivered within the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act or other exemption(s) from registration under the U.S. Securities Act or outside the United States in reliance on Regulation S under the U.S. Securities Act.

The Company will be controlled through weighted voting rights upon Listing. Prospective investors should be aware of the potential risks of investing in a company with a WVR Structure, in particular that the WVR Beneficiaries, 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' resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with our WVR Structure, see "Risk Factors — Risks Related to the WVR Structure." Prospective investors should make the decision to invest in the Company only after due and careful consideration.

ATTENTION

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

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

January 26, 2021

IMPORTANT

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 printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document 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 www.kuaishou.com. If you require a printed copy of this document, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk;
- (2) apply through the **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 have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, **Computershare Hong Kong Investor Services Limited**, both at +852 2862 8600 on the following dates:

Tuesday, January 26, 2021 — 9:00 a.m. to 9:00 p.m.
Wednesday, January 27, 2021 — 9:00 a.m. to 9:00 p.m.
Thursday, January 28, 2021 — 9:00 a.m. to 9:00 p.m.
Friday, January 29, 2021 — 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document 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.

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this document for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

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	11,615.89	2,500	290,397.14	30,000	3,484,765.65	600,000	69,695,313.00
200	23,231.77	3,000	348,476.57	40,000	4,646,354.20	700,000	81,311,198.50
300	34,847.66	3,500	406,556.00	50,000	5,807,942.75	800,000	92,927,084.00
400	46,463.54	4,000	464,635.42	60,000	6,969,531.30	900,000	104,542,969.50
500	58,079.43	4,500	522,714.85	70,000	8,131,119.85	1,000,000	116,158,855.00
600	69,695.31	5,000	580,794.28	80,000	9,292,708.40	1,500,000	174,238,282.50
700	81,311.20	6,000	696,953.13	90,000	10,454,296.95	2,000,000	232,317,710.00
800	92,927.08	7,000	813,111.99	100,000	11,615,885.50	2,500,000	290,397,137.50
900	104,542.97	8,000	929,270.84	200,000	23,231,771.00	3,000,000	348,476,565.00
1,000	116,158.86	9,000	1,045,429.70	300,000	34,847,656.50	3,500,000	406,555,992.50
1,500	174,238.29	10,000	1,161,588.55	400,000	46,463,542.00	4,000,000	464,635,420.00
2,000	232,317.71	20,000	2,323,177.10	500,000	58,079,427.50	4,565,200 ⁽¹⁾	530,288,404.85
						(1)	Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.kuaishou.com.

Hong Kong Public Offering commences 9:00 a.m. on Tuesday, January 26, 2021

Latest time for completing electronic applications under

White Form eIPO service through the designated website at

www.eipo.com.hk⁽²⁾ 11:30 a.m. on Friday, January 29, 2021

Application lists open⁽³⁾ 11:45 a.m. on Friday, January 29, 2021

Latest time for (a) completing payment of **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 Friday, January 29, 2021

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.

Application lists close⁽³⁾ 12:00 noon on Friday, January 29, 2021

Expected Price Determination Date⁽⁵⁾ Friday, January 29, 2021

Announcement of:

- the Offer Price;
- the level of indication 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 our Company's website at

www.kuaishou.com⁽⁶⁾ and the website of the Hong Kong Stock

Exchange at www.hkexnews.hk on or before Thursday, February 4, 2021

EXPECTED TIMETABLE⁽¹⁾

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, including:

- in the announcement to be posted on our website at www.kuaishou.com⁽⁶⁾ and the website of the Stock Exchange at www.hkexnews.hk, respectively Thursday, February 4, 2021

- from the designated results of allocations website at www.iporeresults.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, February 4, 2021 to 12:00 midnight on Wednesday, February 10, 2021

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, February 4, 2021, Friday, February 5, 2021, Monday, February 8, 2021 and Tuesday, February 9, 2021

Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before⁽⁷⁾ Thursday, February 4, 2021

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before^{(8) (9)} Thursday, February 4, 2021

Dealings in the Class B Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on Friday, February 5, 2021

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

EXPECTED TIMETABLE⁽¹⁾

- (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 an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, January 29, 2021, the application lists will not open and will close on that day. For further details, please see the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong 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 — 6. Applying through CCASS EIPO service” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, January 29, 2021, and in any event, not later than Tuesday, February 2, 2021. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on or before Tuesday, February 2, 2021, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites 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 “Underwriting — Underwriting Arrangements — Hong Kong Public Offering — Grounds for Termination” has not been exercised. Investors who trade the Class B Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely 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 in respect of wholly or partially successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, 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 or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or share certificates in person from our 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, February 4, 2021 or such other date as notified by us as the date of dispatch/collection of share certificates/e-refund payment instructions/refund checks. Applicants being individuals who are 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.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to the section headed “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies — Personal Collection — (ii) if you apply through **CCASS EIPO** service” in this document 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) dispatched 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) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected share certificates and/or refund checks will be dispatched 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 — 13. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies”.

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please see the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us 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, 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 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 and the offering 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.

*You should rely only on the information contained in this prospectus and the **GREEN** Application Form to make your investment decision. 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 made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party 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. You should read the whole document 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 out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Our Mission

We aim to be the most customer-obsessed company in the world. Our mission is to help people discover their needs and use their talents in order to find their unique brand of happiness.

We are relentlessly focused on serving our customers and creating value for them through the continual innovation and optimization of our products and services. We seek to create a platform that is an authentic lens into the diverse and vibrant world we live in, enriching people’s lives with interesting, useful, relevant and meaningful content. We believe everyone is unique and want to empower them to express themselves, be appreciated, and discover what makes them happy.

Who We Are

We are a leading content community and social platform. We believe each person is unique with his or her own needs and strengths. We believe engagement and interactions among people create value. As a result, we continuously improve and enhance our content creation tools and services that empower people to chronicle and share their life experiences, and showcase their talents. Additionally, we enable people to discover other creators and high quality content easily through our effective content discovery mechanism. Working closely with creators and businesses, together we provide more product and service offerings to our users, further enriching people’s choices. Globally, we are the largest live streaming platform by gross billings from virtual gifting and average live streaming MPUs, the second largest short video platform by average DAUs, and the second largest live streaming e-commerce platform by GMV, all for the nine months ended September 30, 2020, according to iResearch.

Our Platform and Ecosystem

Our motto is to “embrace all lifestyles.” It is the foundation of our philosophy and guides our aspirations. We wish to help our users discover a vast world of content that expands their interests and horizons and resonates well with them. Short videos and live streams have enhanced user

SUMMARY

experience and social interactions on our platform. Given the nature of our content, social connections and engagement based on common interests occur naturally. As a result, our platform fosters a vibrant ecosystem for users and businesses to interact on the basis of our deep and diverse content base.

We aim to deliver on four core values through the user experience on our platform:

- **Authentic:** experience genuine emotions; allow for sincere expression; record spontaneous moments; share real-life stories;
- **Diverse:** be inclusive and respect differences; cherish diversity and culture; live in harmony;
- **Beautiful:** be happy and positive; have enjoyable experiences; and
- **Beneficial:** cultivate knowledge, perspectives, information and skills; foster comradery and trust; improve oneself and live one's best life.

Underlying our vibrant ecosystem is our deep and diverse content base as well as supporting technology, data and business layers. As the various parts of our platform work together, they enable numerous interactions among our ecosystem participants and generate significant network effects:

- **Content.** Our users have contributed to our vast and organically growing repository of short video and live streaming content as well as our community and the myriad social interactions and connections within it. We promote content on our platform that embraces all lifestyles and reflects the lives of our users. We believe this helps attract and keep users engaged on our platform. Leveraging technology and data, we are able to understand and identify needs that arise from different users and interest groups on our platform, and provide access to content and services that serve those interests and needs, thereby enhancing user engagement and retention.
- **Business.** We work with our business partners to provide products and services that address various needs that arise naturally on our platform. These products and services include entertainment, online marketing services, e-commerce, online games, online knowledge-sharing, and more. These products and services increase user engagement on our platform and strengthen the virtuous cycle among our users, content and business partners over time.

SUMMARY

- **Technology & Data.** Our advanced technologies and massive data repository support our ecosystem. Our technologies enable us to serve the interests and needs of our users and cover various aspects of content creation, compression, transmission, analysis, recommendation, search and other fields. As users create and consume content and interact with each other, they generate valuable data that allows us to improve efficiency and develop new features that enhance the overall user experience.

The diagram below illustrates our ecosystem and the interactions that occur within it. Users on our platform can access the rich content we have, create content through short videos or live streams, sell and purchase products, and more. Businesses on the other hand, can advertise and sell their products and services on our platform. As our users and businesses interact and engage with one another, they become more reliant on our platform.



Legend : Users denoted in yellow bubble | Businesses denoted in orange bubble |  Multifaceted Network Effects

SUMMARY

Value Proposition for Users and Businesses

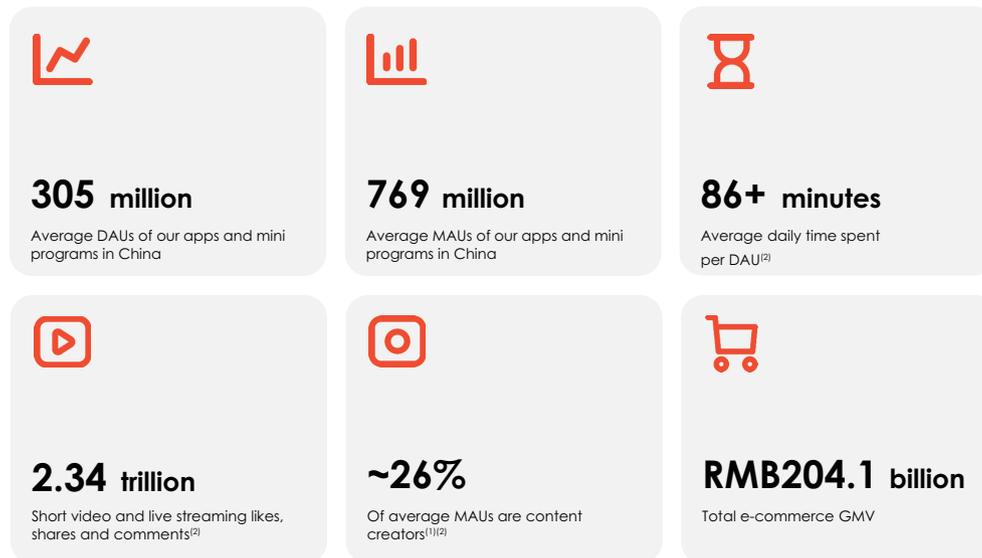
- ***Value Proposition for Users.*** We provide our users with a safe and trusted platform for entertainment, learning, content creation and social interaction. We also provide them with the opportunities and tools to build and grow a following and monetize through their content.
- ***Value Proposition for Businesses.*** We provide businesses with online marketing solutions and an e-commerce marketplace that help them reach and engage their target customers. Our online marketing solutions are highly valuable and effective due to our vast and highly engaged user base, our ability to target users with precision, as well as our users' trust in our platform. Businesses can create short video or live streaming content that captures the attention of users and helps with their purchase decisions. Businesses can also use our platform as a distribution channel for various products and services.

OUR ACHIEVEMENTS

We are a pioneer in the global short video industry. Since our inception, we have been focusing on empowering users to record and share their lives through videos. Our original mobile app, *GIF Kuaishou*, was initially launched in 2011 as a tool for users to create and share animated images known as GIFs, which are in essence, the earliest form of short videos. In 2012, through the application of a series of technologies, we became the first mover in China's short video industry to enable users to create, upload and view short videos on mobile devices, according to iResearch. In 2013, we launched our short video social platform and in 2016, we launched live streaming as a natural extension to our platform to allow users to interact and engage in real time. According to iResearch, we were the first in China to apply deep reinforcement learning algorithms to the recommendations of videos on a large scale in the short video industry in 2018. In 2018, we also launched e-commerce to facilitate transactions within our ecosystem as user engagement continued to increase.

SUMMARY

The following diagram shows our scale and user engagement metrics for the nine months ended September 30, 2020:



Notes:

- (1) Content creators calculated as the average number of unique user accounts per month that uploaded short videos plus the average number of unique user accounts per month that streamed content.
- (2) On Kuaishou App.

Today, Kuaishou is a household brand and is among the most widely used social platforms in China, according to iResearch. In the nine months ended September 30, 2020, there were 305 million average DAUs and 769 million average MAUs of our apps and mini programs in China. In the same period, our DAUs on average spent over 86 minutes per day on Kuaishou App and accessed Kuaishou App more than 10 times a day. We are the trusted destination for users to create and share content. According to iResearch, we ranked No. 1 in terms of activeness of our content community among the top video-based social platforms in China, with content creators constituting approximately 26% of our average MAUs on Kuaishou App in the nine months ended September 30, 2020. We also had approximately 1.1 billion average monthly short video uploads on Kuaishou App in the nine months ended September 30, 2020.

Access to our platform is free for all users. We monetize primarily through the sale of virtual items, provision of various forms of online marketing services, and commissions from e-commerce sales on our platform. We are actively developing additional monetization opportunities to diversify our revenue streams through online games, online knowledge-sharing and other products and services.

SUMMARY

Our revenues grew rapidly during the Track Record Period from RMB8.3 billion in 2017 to RMB20.3 billion in 2018, and further to RMB39.1 billion in 2019, and up from RMB27.3 billion in the nine months ended September 30, 2019 to RMB40.7 billion in the nine months ended September 30, 2020.

OUR INDUSTRY

Increasing Mobile Time Spent on Video

Video is an increasingly popular content format for online experiences as it captures the richness of moments and makes real-time engagement more natural and close to in person. The proliferation of the mobile internet and development of smart devices, bandwidth and mobile infrastructure, particularly the expansion of 4G and introduction of 5G, will continue to spur this development.

China is leading the development of video-based mobile experiences globally. According to iResearch, China had the world's largest mobile internet population of 873 million users in 2019, representing 23.0% of mobile internet users globally. According to iResearch, China's mobile internet user population is expected to reach 1.1 billion by 2025, with penetration rate increasing from 62.4% to 78.5%.

Mobile internet users in China on average spent 4.35 hours online each day in 2019, compared to 2.90 hours in 2015, and are expected to spend 5.73 hours online each day by 2025. Approximately 29.7% of that time was spent on video-based social and entertainment platforms in 2019, which is expected to reach 36.3% by 2025.

Emergence of Video-Based Social Platforms

The earliest social platforms focused around connecting people through text, pictures and audio. Over time, the content formats used on social platforms and user behavior on those platforms have evolved along with the continuous advancement of hardware, bandwidth, storage and computing power. The continued proliferation of better on-device cameras and faster connectivity in 4G and 5G mobile broadband have made on-demand video capturing and sharing a reality for many internet users. As video is able to capture moments in a real, rich and succinct manner, it has encouraged entirely new social behaviors. This has also enabled innovation in form and function of video such as videos of varying lengths that cater to different social and entertainment needs during fragmented time. As a result, for social platforms, interactions have become more vibrant and natural, with video content augmenting the authenticity of the connections. This is especially true with live streaming as social interaction becomes even more natural.

SUMMARY

Competitive Landscape

Globally, we are one of two video-based social platforms at scale primarily focused on both short video and live streaming content formats. In China, there are several social platforms that are built on short video or live streaming content. Some are focused on specific content genres such as online games or entertainment while others cater to diversified social and entertainment use cases. While there is some degree of user overlap among them, platforms differentiate themselves by providing differentiated user experiences and engagement. For a comparison of key metrics of short video and live streaming platforms in China, see “Industry Overview — Emergence of Video-Based Social Platforms — Landscape of Video-Based Social Platforms.”

According to iResearch, the world’s largest short video platform had 426.2 million average DAUs for the nine months ended September 30, 2020, while we were the world’s second largest short video platform, with 275.9 million average DAUs for the same period. The world’s largest live streaming e-commerce platform was a subsidiary of a publicly listed company with live streaming e-commerce GMV of approximately RMB250 billion to RMB300 billion in the nine months ended September 30, 2020, according to iResearch. We were the world’s second largest live streaming e-commerce platform, according to iResearch, with live streaming e-commerce GMV of approximately RMB204 billion for the same period.

Platforms with more diverse content and more vibrant content creation ecosystems are better equipped to address the evolving needs of users with different backgrounds and interests. According to iResearch, we have the most active content community among the top video-based social platforms in China in terms of percentage of average MAUs who create content, a measure of the activeness of a content community in terms of the proportion of users who create content. The more active a content community is, the more likely users are to contribute content to and actively participate in that community as opposed to merely being a consumer of content.

Monetization Opportunities for Video-Based Social Platforms

Social platforms that have incorporated short video and live streaming have vibrant ecosystems where users engage on a diverse range of topics and user needs arise naturally. Traditionally, short video and live streaming platforms have monetized primarily through virtual gifting and online marketing services, which remain the most immediate market opportunities. In China, live streaming virtual gifting market in terms of revenues reached RMB140.0 billion in 2019, and is expected to reach RMB416.6 billion in 2025, growing at a CAGR of 19.9%, according to iResearch. The mobile advertising market through short video and live streaming platforms reached RMB81.4 billion in 2019 and is expected to reach RMB465.3 billion in 2025, growing at a CAGR of 33.7%, according to iResearch.

SUMMARY

As these platforms evolve, new market opportunities will arise across a multitude of industries, such as e-commerce, online games, online education, local services, among others. Platforms with stronger social attributes and interactions will give rise to stronger network effects and have the ability to foster a trusted ecosystem, a key factor in capturing monetization opportunities.

OUR STRENGTHS

We believe the following strengths contribute to our success:

- Dedication to an authentic user experience;
- Pioneer and global leader in short video and live streaming;
- Highly engaged user base and trusted social experience;
- Innovative and industry-leading AI and big data technologies;
- Multifaceted network effects and multiple monetization levers; and
- Management's dedication to long-term vision.

OUR STRATEGIES

To achieve our mission and further strengthen our market leadership, we intend to pursue the following strategies:

- Continue to exceed user expectations;
- Continue to strengthen our technology;
- Further expand our ecosystem and monetization capabilities; and
- Selectively pursue strategic alliances, investments and acquisitions.

SUMMARY

MONETIZATION

We have developed a monetization model with a mix of products and services to address the myriad user needs that arise naturally in our ecosystem. We began to monetize in 2016, and we continue to strengthen and diversify our monetization models. The network effects that arise from the interactions among our ecosystem participants further strengthen our monetization capabilities.

Live Streaming

During the Track Record Period, we generated a majority of our revenues from our live streaming business, which involves the sale of virtual items to viewers who purchase such virtual items and present them as gifts to streamers during live streams. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our live streaming revenue as a percentage of our total revenues was 95.3%, 91.7%, 80.4%, 84.1% and 62.2%, respectively. The growth of our live streaming revenue was primarily driven by our abundant and diverse live streaming content as well as increasing user engagement in live streams through our interactive features.

Online Marketing Services

We derived an increasing portion of our revenues from online marketing services over the Track Record Period. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, revenue attributable to online marketing services as a percentage of our revenues was 4.7%, 8.2%, 19.0%, 15.6% and 32.8%, respectively. Online marketing opportunities arise naturally through our massive user base and diverse set of communities with varied interests. Our online marketing services are customizable based on user interests and carefully designed in content and style so that they are not disruptive to our users' experience. Our AI capabilities allow us to help our advertising customers to reach targeted audience more precisely to improve their return on investment. We offer a full suite of online marketing solutions, including advertising services, Kuaishou fans headline services and other marketing services to customers. Our advertising services include performance-based advertising services which allow advertising customers to place links on our platform or third-party internet properties, and various formats of display-based advertising services.

SUMMARY

Other Services

We also generated revenue from our other services including e-commerce, online games and other value-added services. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, revenue attributable to other services as a percentage of our revenues was nil, 0.1%, 0.6%, 0.3% and 5.0%, respectively. To address the natural demand from users to buy and sell goods via short videos or live streams on our platform, we launched our e-commerce business in August 2018. Our e-commerce revenue grew rapidly during the Track Record Period as it is naturally embedded to the live streaming content and further enhances our user interaction as well as trust. The total GMV of e-commerce transactions facilitated on our platform increased from RMB96.6 million in 2018 to RMB59.6 billion in 2019, and from RMB16.8 billion in the nine months ended September 30, 2019 to RMB204.1 billion in the nine months ended September 30, 2020. Our ability to increase our e-commerce revenue depends on the content through which merchants can effectively raise awareness of their products, businesses or brands, user interactions and the level of trust in our user community. At the same time, we have been growing other revenues from online games and other value-added services by leveraging both our in-house game development capability as well as collaborations with other third parties.

WEIGHTED VOTING RIGHTS STRUCTURE AND OUR CONTROLLING SHAREHOLDERS

We are proposing to adopt a weighted voting rights structure effective immediately upon the completion of the Global Offering. Under this structure our share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, respectively, on any resolution tabled at our 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 Beneficiaries will be Mr. Su Hua and Mr. Cheng Yixiao. Assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme:

- Mr. Su Hua will be interested in and will control, through Reach Best, 427,469,521 Class A Shares and 56,961,183 Class B Shares, representing approximately 11.79% of our total issued share capital, approximately 11.79% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 39.36% with respect to matters other than the Reserved Matters.

SUMMARY

- Mr. Cheng Yixiao will be interested in and will control, through Ke Yong, 338,767,480 Class A Shares and 45,568,873 Class B Shares, representing approximately 9.36% of our total issued share capital, approximately 9.36% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 31.20% with respect to matters other than the Reserved Matters.

Assuming (i) the Over-allotment Option is fully exercised, pursuant to which the Option Grantors may be required to sell up to an aggregate of 4,045,400 Class B Shares (among which Reach Best may be required to sell up to 2,247,400 Class B Shares, Ke Yong may be required to sell up to 1,798,000 Class B Shares) and we may be required to issue up to 50,737,300 new Class B Shares, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme:

- Mr. Su Hua will be interested in and will control, through Reach Best, 427,469,521 Class A Shares and 54,713,783 Class B Shares, representing approximately 11.59% of our total issued share capital, approximately 11.59% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 39.16% with respect to matters other than the Reserved Matters.
- Mr. Cheng Yixiao will be interested in and will control, through Ke Yong, 338,767,480 Class A Shares and 43,770,873 Class B Shares, representing approximately 9.20% of our total issued share capital, approximately 9.20% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 31.04% with respect to matters other than the Reserved Matters.

Therefore, immediately after the completion of the Global Offering, Mr. Su Hua, Mr. Cheng Yixiao, Reach Best and Ke Yong will be our Controlling Shareholders after the Listing.

For further details, see “Share Capital — Weighted Voting Rights Structure” and “Relationship with our Controlling Shareholders.”

Our WVR Structure will enable the WVR Beneficiaries to exercise voting control over us notwithstanding the WVR Beneficiaries do not hold a majority economic interest in the share capital of our Company. This will enable us to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control us with a view to its long-term prospects and strategy.

SUMMARY

Mr. Su Hua and Mr. Cheng Yixiao have been integral to, and have been materially responsible for, the founding, development and success of our Company. Mr. Su Hua and Mr. Cheng Yixiao, sharing the philosophy that everyone’s lives are worth chronicling, have been steering us to pursue the mission to increase every individual’s unique happiness through AI and big data technology, assisting them in seeking attention from or being understood by others, or in learning useful things or discovering people who they resonate with. They believe that we should strive to be the most customer-obsessed company in the world and to empower everyone to unleash their talents and discover their needs so as to elevate their unique happiness. Their embrace of these values drove them to build a technology platform designed to elevate the often overlooked, yet diverse, vibrant and energetic communities of people in China.

Over the years, Mr. Su Hua and Mr. Cheng Yixiao have led us to evolve from a tool-based business into a full-spectrum content-based social platform generating revenues from multiple sources including live streaming, online marketing services, e-commerce, online games, online knowledge-sharing and other value-added services, which has contributed to our rapid growth and success.

Mr. Su Hua graduated from the School of Software of Tsinghua University (清華大學軟件學院). After graduation, he worked as an engineer at Google China and Baidu, Inc. and went on to start his own businesses. During our early stages, envisaging the potential market of short videos and value of creating a social video network to enable users to better connect and understand each another, Mr. Su Hua and Mr. Cheng Yixiao decided to transform our Company from a tool-based business into a short video platform dedicated to “recording and sharing.”

Since then, Mr. Su Hua has been the Chief Executive Officer of our Company and has been responsible for making a series of strategic and pivotal decisions, including strategic direction, business management, innovation, technology, research and development, corporate culture, publicity, governmental affairs, finance, legal, commercialization, talent acquisition and overseas development. Mr. Su Hua has also been actively involved in our products and services, maintenance and development of our ecosystem and new business incubation. To differentiate ourselves from other video platforms, Mr. Su Hua led our team to significantly improve the algorithms deployed for content recommendation and introduced AI technologies to achieve highly efficient and personalized content recommendation. Mr. Su Hua has also been responsible for strategic investments and acquisitions and actively involved in our investment strategy, allowing us to forge close relationships with investee companies to create synergies across our ecosystem.

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Prior to founding our Group, Mr. Cheng Yixiao was a software engineer and developer at Hewlett-Packard from August 2007 to July 2009, and worked at Renren Inc. from September 2009 to February 2011. “*GIF Kuaishou*” was initially launched by Mr. Cheng Yixiao in 2011 as a tool for users to create and share animated images known as GIFs. Since transformation of our platform from a tool to a short video social platform in 2013, Mr. Cheng Yixiao has served as the Chief Product Officer. Mr. Cheng Yixiao has been responsible for all product-related matters, including developing new apps, product iteration, creating new app features and optimizing user interface. Mr. Cheng Yixiao has been leading our new business incubation (such as e-commerce and online games), maintenance and development of our ecosystem. He has also been responsible for strategic investments and acquisitions. Mr. Cheng Yixiao has also participated in formulating our strategic direction and business innovation, and introducing principles of sociology and economics to the design of content recommendation algorithms. Mr. Cheng Yixiao believes that we should be an inclusive and diverse content community that embraces all walks of life and champions ordinary people and their unique stories.

Mr. Cheng Yixiao is a proponent of original content. Since “*GIF Kuaishou*” was launched in 2011, he has formulated and adhered to the policy that there should be no forwarding or reposting function embedded in our products with the goal of encouraging users to produce original content. Under the influence of Mr. Cheng Yixiao, we have been providing users with a diverse range of content that matches their interests and allocating exposure to a broader set of content creators, which differentiates us from other platforms that focus more on recommending content created by key opinion leaders or other popular content creators, and enables us to develop a thriving user generated content-based community.

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 Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries 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 our Company only after due and careful consideration. For further information about the risks associated with the WVR Structure adopted by our Company, see “Risk Factors — Risks Related to the WVR Structure — Our proposed dual-class structure with voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Shares may view as beneficial.”

SUMMARY

RISK FACTORS

Our business and the Global Offering involve certain risks, which are set out in “Risk Factors” in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face are relating to:

- our ability to retain our existing users, keep them engaged or acquire new users in a cost-efficient manner;
- our ability to attract, cultivate and retain content creators and whether our content creators continue to contribute content that is valuable to our users;
- our ability to maintain our unique community culture and our vibrant ecosystem, and to retain our existing business partners or attract new business partners;
- the fact that the industry in which we operate is characterized by constant change, and our ability to keep up with changes in user preferences or behaviors, or to continuously innovate our technologies or to design features that meet the expectations of our users;
- our ability to effectively manage our growth as a result of the increased complexity of our business;
- the fact that we incurred net losses during the Track Record Period and may not be able to achieve or maintain profitability in the future;
- our ability to continue to grow or maintain our paying user base and to increase ARPPU for live streaming;
- our ability to attract new advertisers, retain existing advertisers, and maintain advertisers’ demand for our online marketing services;
- the fact that our other monetization strategies, including e-commerce, may not remain effective or continue to grow and that we cannot guarantee that we will be able to successfully develop new monetization channels and generate sustainable growth;
- the fact that user misconduct and inappropriate content may adversely impact our brand image, business and results of operations, and that we may be held liable for information or content displayed on, retrieved from or linked to our platform or website or distributed to our users;

SUMMARY

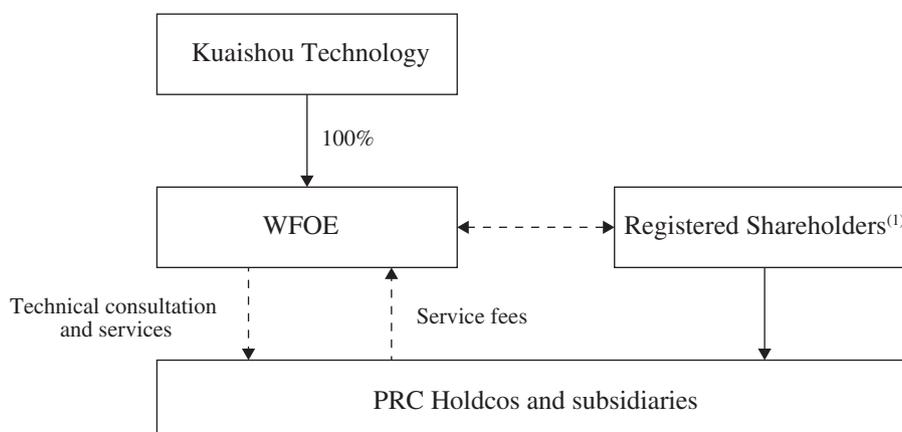
- the fact that the internet business is highly regulated in China;
- the fact that we may be subject to intellectual property infringement claims or other allegations by third parties for information or content displayed on, retrieved from or linked to, our platform, or distributed to our users, or for proprietary information appropriated by former employees;
- the fact that concerns about collection and use of users' personal data and other privacy-related and data security matters could damage our reputation and deter current and potential users from using our products and services; and
- the fact that the we face significant competition from internet companies that operate content-based social platforms, online marketing businesses and e-commerce platforms in China, and our ability to compete effectively.

CONTRACTUAL ARRANGEMENTS

Our Company operates or may operate in certain industries that are subject to foreign 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 the Contractual Arrangements. Hence, we do not directly own any equity interest 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, see "Contractual Arrangements" in this prospectus.

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



Notes:

- (1) Registered Shareholders refer to the registered shareholders of the PRC Holdcos. See “Contractual Arrangements” for details.
- (2) “**—>**” denotes direct legal and beneficial ownership in the equity interest. WFOE is an indirect wholly-owned subsidiary of Kuaishou Technology.
- (3) “**- - >**” denotes contractual relationship.
- (4) “**- - -**” denotes the control by WFOE over the Registered Shareholders and the PRC Holdcos through (i) powers of attorney to exercise all shareholders’ rights in the PRC Holdcos, (ii) exclusive options to acquire all or part of the equity interests and assets in the PRC Holdcos and (iii) equity pledges over the equity interests in the PRC Holdcos.

OUR COST STRUCTURE

Our costs and expenses are primarily associated with revenue sharing to streamers and related taxes, bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, and amortization of intangible assets, payment processing costs and other costs including employee benefit expenses, as well as our selling and marketing expenses, research and development expenses and administrative expenses.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this prospectus. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Selected Consolidated Income Statement Items

The following table sets forth our consolidated income statements, both in absolute amounts and as percentages of our total revenues, for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Revenues	8,339,578	100.0	20,300,645	100.0	39,120,348	100.0	27,267,968	100.0	40,677,441	100.0
Cost of revenues	(5,728,748)	(68.7)	(14,498,423)	(71.4)	(25,016,774)	(63.9)	(17,798,136)	(65.3)	(25,366,636)	(62.4)
Gross profit	2,610,830	31.3	5,802,222	28.6	14,103,574	36.1	9,469,832	34.7	15,310,805	37.6
Selling and marketing expenses	(1,359,624)	(16.4)	(4,262,046)	(21.0)	(9,865,026)	(25.2)	(5,578,609)	(20.5)	(19,833,271)	(48.8)
Administrative expenses	(227,968)	(2.7)	(542,417)	(2.7)	(865,375)	(2.2)	(572,674)	(2.1)	(1,081,347)	(2.7)
Research and development expenses	(476,618)	(5.6)	(1,755,324)	(8.6)	(2,944,277)	(7.5)	(2,049,564)	(7.5)	(4,117,907)	(10.1)
Other income	19,290	0.2	107,575	0.5	292,631	0.7	183,139	0.7	396,151	1.0
Other gains/(losses), net	42,041	0.5	129,277	0.6	(32,843)	(0.1)	211,180	0.8	383,141	1.0
Operating profit/(loss)	607,951	7.3	(520,713)	(2.6)	688,684	1.8	1,663,304	6.1	(8,942,428)	(22.0)
Finance (expense)/income, net	(26,076)	(0.3)	52,164	0.3	(11,037)	(0.0)	6,284	0.0	(26,571)	(0.1)
Fair value changes of convertible redeemable preferred shares	(20,522,376)	(246.1)	(11,932,515)	(58.8)	(19,943,114)	(51.0)	(2,890,090)	(10.6)	(89,150,056)	(219.1)

SUMMARY

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	(unaudited)									
Loss before income tax . . .	(19,940,501)	(239.1)	(12,401,064)	(61.1)	(19,265,467)	(49.2)	(1,220,502)	(4.5)	(98,119,055)	(241.2)
Income tax (expenses)/benefits	(104,449)	(1.3)	(28,221)	(0.1)	(386,067)	(1.0)	(396,943)	(1.4)	747,593	1.8
Loss for the year/period attributable to the equity holders of the Company .	(20,044,950)	(240.4)	(12,429,285)	(61.2)	(19,651,534)	(50.2)	(1,617,445)	(5.9)	(97,371,462)	(239.4)
Non-IFRS Measures:										
Adjusted net profit/(loss) (unaudited) ⁽¹⁾	773,961	9.3	204,831	1.0	1,033,883	2.6	1,836,684	6.7	(7,244,319)	(17.8)
Adjusted EBITDA (unaudited) ⁽²⁾	1,019,986	12.2	1,360,473	6.7	3,591,370	9.2	3,594,790	13.2	(4,543,362)	(11.2)

Notes:

- (1) Adjusted net profit/(loss) is a non-IFRS measure. We define “adjusted net profit/(loss)” as loss for the year or period adjusted by adding back share-based compensation expenses and fair value changes of convertible redeemable preferred shares. Adjusted net profit/(loss) is not a measure required by, or presented in accordance with, IFRS. The use of adjusted net profit/(loss) has limitations as an analytical tool, and you should not consider it in isolation from, as a substitute for analysis of, or superior to, our results of operations or financial condition as reported under IFRS. For more details, see “Financial Information — Non-IFRS Measures”.
- (2) Adjusted earnings before interest, taxes, depreciation and amortization (“**adjusted EBITDA**”) is a non-IFRS measure. We define adjusted EBITDA as adjusted net profit/(loss) for the year or period adjusted by adding back income tax expenses/(benefits), depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, and finance expense/(income), net. Adjusted EBITDA is not a measure required by, or presented in accordance with IFRS. The use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, or superior to, our results of operations or financial condition as reported under IFRS. For more details, see “Financial Information — Non-IFRS Measures”.

During the Track Record Period, our revenues grew from RMB8.3 billion in 2017 to RMB20.3 billion in 2018 and RMB39.1 billion in 2019, and from RMB27.3 billion in the nine months ended September 30, 2019 to RMB40.7 billion in the nine months ended September 30, 2020. Although we recorded operating profit of RMB608.0 million, RMB688.7 million and RMB1.7 billion in 2017, 2019 and the nine months ended September 30, 2019, respectively, we recorded operating losses of RMB520.7 million and RMB8.9 billion in 2018 and the nine months ended September 30, 2020, respectively. Our operating losses of RMB520.7 million and RMB8.9 billion in 2018 and the nine months ended September 30, 2020, respectively, were primarily attributable to the increased selling and marketing expenses as a percentage of our total revenues as a result of our efforts to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem. We had net loss of RMB20.0 billion, RMB12.4 billion, RMB19.7 billion, RMB1.6 billion and RMB97.4 billion in 2017, 2018, 2019 and the nine

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months ended September 30, 2019 and September 30, 2020, respectively. Although we recorded adjusted net profit of RMB774.0 million, RMB204.8 million, RMB1.0 billion and RMB1.8 billion in 2017, 2018 and 2019 and the nine months ended September 30, 2019, respectively, we recorded adjusted net loss of RMB7.2 billion in the nine months ended September 30, 2020. Adjusted net profit/(loss) is a non-IFRS measure. By excluding primarily the fair value changes of convertible redeemable preferred shares of RMB89.2 billion from our net loss of RMB97.4 billion in the nine months ended September 30, 2020, our adjusted net loss of RMB7.2 billion in the same period was mainly due to our strategic decision to invest more in selling and marketing efforts, among others, to continue to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem.

Reconciliation for Non-IFRS Measures

We believe that the presentation of non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating the potential impact of items that our management does not consider to be indicative of our operating performance, such as certain non-cash items. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies. Our presentation of these non-IFRS measures should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items. The following table sets forth a reconciliation of our non-IFRS financial measures for the periods indicated to the nearest measures prepared in accordance with IFRS:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>(in RMB thousands)</i>			<i>(unaudited)</i>	
Loss for the year/period attributable to the equity holders of the Company.	(20,044,950)	(12,429,285)	(19,651,534)	(1,617,445)	(97,371,462)
Add:					
Share-based compensation expenses ⁽¹⁾	296,535	701,601	742,303	564,039	977,087
Fair value changes of convertible redeemable preferred shares ⁽²⁾ . . .	20,522,376	11,932,515	19,943,114	2,890,090	89,150,056
Adjusted net profit/(loss) (unaudited)⁽³⁾	<u>773,961</u>	<u>204,831</u>	<u>1,033,883</u>	<u>1,836,684</u>	<u>(7,244,319)</u>

SUMMARY

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>(in RMB thousands)</i>			<i>(unaudited)</i>	
Adjusted net profit/(loss)					
(unaudited)⁽³⁾	773,961	204,831	1,033,883	1,836,684	(7,244,319)
Add:					
Income tax expenses/(benefits)	104,449	28,221	386,067	396,943	(747,593)
Depreciation of property and equipment	84,186	828,980	1,405,313	906,771	2,174,192
Depreciation of right-of-use assets . .	24,085	325,831	692,228	418,679	1,157,218
Amortization of intangible assets . .	7,229	24,774	62,842	41,997	90,569
Finance expense/(income), net	26,076	(52,164)	11,037	(6,284)	26,571
Adjusted EBITDA (unaudited)⁽³⁾ . .	<u>1,019,986</u>	<u>1,360,473</u>	<u>3,591,370</u>	<u>3,594,790</u>	<u>(4,543,362)</u>

Notes:

- (1) Share-based compensation expenses mainly represent share-based compensation expenses incurred in connection with our Pre-IPO Share Option Scheme. Share-based compensation expenses are not expected to result in future cash payments and are not indicative of our core operating results.
- (2) Fair value changes of convertible redeemable preferred shares represent changes in the fair value of the convertible redeemable preferred shares issued by our Company and relate to changes in the valuation of our Company. Fair value changes of the convertible redeemable preferred shares are not directly related to our ability to generate revenue from our daily operations, and we do not expect to record any further fair value changes of the convertible redeemable preferred shares as such convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing.
- (3) A non-IFRS measure.

SUMMARY

Selected Consolidated Balance Sheet Items

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	<i>(in RMB thousands)</i>			
Assets				
Non-current assets:				
Property and equipment	1,057,278	2,420,770	6,232,305	7,021,382
Right-of-use assets	865,623	1,272,218	4,352,638	5,394,482
Financial assets at fair value through profit or loss	49,200	677,919	2,258,272	3,998,760
Total non-current assets	2,052,253	5,696,381	15,103,302	20,638,967
Current assets:				
Trade receivables	136,641	129,045	1,107,440	1,812,648
Financial assets at fair value through profit or loss	2,472,037	4,273,517	8,902,270	8,546,045
Cash and cash equivalents	2,688,512	5,370,332	3,996,236	7,703,012
Total current assets	5,641,640	10,783,118	17,311,080	30,880,155
Total assets	7,693,893	16,479,499	32,414,382	51,519,122
Liabilities				
Non-current liabilities:				
Lease liabilities	695,784	892,257	3,287,984	3,945,201
Convertible redeemable preferred shares	26,652,555	47,211,431	69,444,163	52,389,987
Total non-current liabilities	27,348,339	48,141,573	72,769,647	56,368,777
Current liabilities:				
Accounts payables	1,802,517	2,025,563	9,055,133	10,913,350
Advances from customers	190,074	475,553	1,529,608	3,031,158
Convertible redeemable preferred shares	—	—	—	122,847,844
Total current liabilities	2,531,039	4,042,408	15,373,771	143,491,717
Total liabilities	29,879,378	52,183,981	88,143,418	199,860,494
Equity attributable to the equity holders of the Company:				
Share Capital	30	30	30	30
Other reserves	1,016,820	(28,397)	(321,281)	4,437,845
Accumulated losses	(23,202,335)	(35,676,115)	(55,407,785)	(152,779,247)
Total equity	(22,185,485)	(35,704,482)	(55,729,036)	(148,341,372)
Total equity and liabilities	7,693,893	16,479,499	32,414,382	51,519,122
Net current assets/(liabilities)	3,110,601	6,740,710	1,937,309	(112,611,562)
Net liabilities	(22,185,485)	(35,704,482)	(55,729,036)	(148,341,372)

SUMMARY

Although we recorded net current assets of RMB3.1 billion, RMB6.7 billion and RMB1.9 billion as of December 31, 2017, 2018 and 2019, respectively, we had net current liabilities of RMB112.6 billion as of September 30, 2020, primarily due to (i) accounting treatment for the increases in the fair values of our convertible redeemable preferred shares driven by the increases in the valuation of our Company (see paragraph below for more details) and (ii) the redemption rights of our convertible redeemable preferred shares. Our convertible redeemable preferred shares are to be classified as current liabilities if the holders of the convertible redeemable preferred shares can demand us to redeem the convertible redeemable preferred shares within 12 months after the end of the reporting period. In October 2020, all the holders of our preferred shares agreed to modify the redemption commencement date to April 30, 2022. We are no longer in net current liability position after the modification. All the redemption rights of our convertible redeemable preferred shares will be terminated upon the Listing. See “Financial Information — Analysis of Selected Balance Sheet Items — Working Capital — Net current assets/(liabilities).”

As of December 31, 2017, 2018 and 2019 and September 30, 2020, we had net liabilities of RMB22.2 billion, RMB35.7 billion, RMB55.7 billion and RMB148.3 billion, respectively, primarily due to accounting treatment for the increases in the fair values of our convertible redeemable preferred shares driven by the increases in the valuation of our Company. This also led to the increases in our losses during the Track Record Period. Our convertible redeemable preferred shares will be re-designated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, after which we do not expect to recognize any further loss or gain on fair value changes from convertible redeemable preferred shares and will return to a net assets position. See “Financial Information — Analysis of Selected Balance Sheet Items — Net Liabilities.”

With respect to the underlying reasons for material fluctuations of other consolidated balance sheet items during the Track Record Period, see “Financial Information — Analysis of Selected Balance Sheet Items.”

SUMMARY

Selected Consolidated Cash Flow Items

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>(in RMB thousands)</i>			(unaudited)	
Net cash generated from/(used in) operating activities ⁽¹⁾	2,055,418	1,819,254	8,020,090	6,111,970	(768,417)
Net cash used in investing activities	(2,896,802)	(5,623,084)	(10,148,560)	(8,358,373)	(15,570,288)
Net cash generated from/(used in) financing activities	2,358,236	6,033,532	698,051	(152,374)	20,067,064
Net increase/(decrease) in cash and cash equivalents	1,516,852	2,229,702	(1,430,419)	(2,398,777)	3,728,359
Cash and cash equivalents at the beginning of the year/period . .	1,301,005	2,688,512	5,370,332	5,370,332	3,996,236
Effects of exchange rate changes on cash and cash equivalents . .	(129,345)	452,118	56,323	126,676	(21,583)
Cash and cash equivalents at the end of the year/period	<u>2,688,512</u>	<u>5,370,332</u>	<u>3,996,236</u>	<u>3,098,231</u>	<u>7,703,012</u>

Note:

(1) Line items for net cash generated from/(used in) operating activities:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>(in RMB thousands)</i>			(Unaudited)	
Cash flows from operating activities					
Operating profit/(loss) before changes in working capital	993,131	1,332,981	3,714,442	3,453,001	(4,941,985)
Changes in working capital	1,082,624	564,632	5,167,926	3,058,002	4,848,603
Cash generated from/(used in) operations	2,075,755	1,897,613	8,882,368	6,511,003	(93,382)
Income tax paid	(20,337)	(78,359)	(862,278)	(399,033)	(675,035)
Net cash generated from/(used in) operating activities	2,055,418	1,819,254	8,020,090	6,111,970	(768,417)

SUMMARY

Although we generated net operating cash inflows of RMB2.1 billion, RMB1.8 billion and RMB8.0 billion in 2017, 2018 and 2019, respectively, we had net operating cash outflows of RMB768.4 million in the nine months ended September 30, 2020, primarily due to our loss before income tax of RMB98.1 billion, adjusted by adding back non-cash items and the changes in working capital. Our loss before income tax of RMB98.1 billion in the nine months ended September 30, 2020 was primarily attributable to our strategic decision to invest more in selling and marketing efforts to continue to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem. For more details, see “Financial Information — Liquidity and Capital Resources — Net Cash Generated from/(Used in) Operating Activities.”

We believe ongoing investments in our user base and engagement, brand recognition and the overall ecosystem will help us better capture the massive market opportunities in China’s short video industry. Specifically, we expect to continue to invest in selling and marketing as well as research and development efforts to bring more content, products and services to our users and customers. It will in turn enlarge our user base with more engagement, interaction and time spent on our platform, resulting in enhanced monetization capabilities of our platform across multiple revenue streams and ultimately continuous revenue growth. As a result, we expect to improve operating leverage and achieve profitability, and accordingly, we expect our operating cash flow position to improve going forward. For more details, see “Business — Business Sustainability.”

We expect to use the financial resources available to us, including our cash and cash equivalents on hand, time deposits and wealth management products, the estimated net proceeds from the Global Offering, cash generated from operating activities, and other funds raised from the capital markets from time to time to meet our working capital needs during our loss-making period.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
Revenue growth (%)	N/A	143.4	92.7	N/A	49.2
Gross margin ⁽¹⁾ (%)	31.3	28.6	36.1	34.7	37.6
Adjusted EBITDA margin ⁽²⁾⁽⁴⁾ (%)	12.2	6.7	9.2	13.2	(11.2)
Adjusted net margin ⁽³⁾⁽⁵⁾ (%)	9.3	1.0	2.6	6.7	(17.8)

SUMMARY

Notes:

- (1) Gross margin is calculated by dividing gross profit by our revenues.
- (2) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by our revenues and is a non-IFRS measure.
- (3) Adjusted net margin is calculated by dividing adjusted net profit/(loss) by our revenues and is a non-IFRS measure.
- (4) Our adjusted EBITDA margin was negative 11.2% in the nine months ended September 30, 2020 as our adjusted EBITDA was negative RMB4.5 billion, which was primarily due to our net loss of RMB97.4 billion in the same period primarily attributable to the increases in our costs and expenses as a percentage of our total revenues as we continued to develop our overall ecosystem and grow our business strategically, partially offset by adding back the fair value changes of convertible redeemable preferred shares of RMB89.2 billion, depreciation of property and equipment of RMB2.2 billion and depreciation of right-of-use assets of RMB1.2 billion.
- (5) Our adjusted net margin was negative 17.8% in the nine months ended September 30, 2020 as our adjusted net loss was RMB7.2 billion, which was primarily due to our net loss of RMB97.4 billion in the same period, partially offset by adding back the fair value changes of convertible redeemable preferred shares of RMB89.2 billion.

KEY OPERATING DATA

Unless otherwise specified, the following table sets forth certain of our key operating data on Kuaishou App for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
Average DAUs (in millions)	66.7	117.1	175.6	165.2	262.4
Average MAUs (in millions)	136.3	240.7	330.4	311.7	482.9
Average daily time spent per					
DAU (in minutes)	52.7	64.9	74.6	74.0	86.3
Average MPUs for live					
streaming (in millions)	12.6	28.3	48.9	48.5	59.9
Monthly ARPPU for live					
streaming (in RMB)	52.5	54.9	53.6	52.5	47.0
Average online marketing					
services revenue per DAU					
(in RMB)	5.9	14.2	42.3	25.8	50.9
Total e-commerce GMV ⁽¹⁾					
(in RMB millions)	—	96.6 ⁽²⁾	59,641.1	16,833.3	204,060.3

Notes:

- (1) On our platform.
- (2) For the period from August to December 2018 only as we commenced our e-commerce business in August 2018.

SUMMARY

GOODWILL AND OTHER INTANGIBLE ASSETS

As of September 30, 2020, we had intangible assets of RMB1.3 billion, including goodwill of RMB837.0 million, which primarily arose from our business acquisitions in 2018. Based on the result of goodwill impairment testing, which we conduct at least annually, no impairment was identified in respect of goodwill as of December 31, 2018 and 2019 and September 30, 2020, respectively. See “Risk Factors — Risks Related to Our Business — Acquisitions, investments or strategic alliances may fail and have a material and adverse effect on our business, reputation and results of operations.”

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We are applying for listing with a WVR structure under Chapter 8A of the Listing Rules and satisfy the market capitalization requirement under Rule 8A.06(1) of the Listing Rules which requires that a new applicant seeking a listing with a WVR structure must have a market capitalization of at least HK\$40 billion at the time of listing. We are also applying for Listing under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test with reference to (i) our revenue for the year ended December 31, 2019, being approximately RMB39.1 billion, which is significantly over HK\$500 million required by Rule 8.05(3); and (ii) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative Offer Price Range, significantly exceeds HK\$4 billion required by Rule 8.05(3).

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Class B Shares in issue (including the Class B Shares on conversion of the Preferred Shares) and the Class B Shares to be issued pursuant to the (i) Global Offering, (ii) the exercise of the Over-allotment Option, (iii) the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme and (iv) conversion of Class A Shares into Class B Shares on a one to one basis/the Class B Shares that are issuable upon conversion of the Class A Shares.

No part of our Company’s Shares 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 in the near future. All the Class B Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

SUMMARY

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 aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. 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.

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, we did not declare or distribute any dividend to our Shareholders. We do not have any dividend policy and have no present plan to pay any dividends to our Shareholders in the foreseeable future. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. As advised by our legal advisor on Cayman Islands law, Maples and Calder (Hong Kong) LLP, a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability. In addition, under applicable laws in the Cayman Islands, dividends may be paid only out of profits and share premium, and a dividend can be paid provided that there is a profit on the current financial year under review, without the requirement for making good losses from a prior financial year.

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:

- (a) the Hong Kong Public Offering of initially 9,130,500 Offer Shares (subject to reallocation and adjustment) in Hong Kong as described in "Structure of the Global Offering — The Hong Kong Public Offering;" and
- (b) the International Offering of initially 356,088,100 Offer Shares (subject to reallocation, adjustment and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the U.S. Securities Act.

SUMMARY

The Offer Shares will represent 8.89% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming (i) the Over-allotment Option is not exercised; (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme.

RECENT DEVELOPMENTS

Key Operating Data

Unless otherwise specified, the following table sets forth certain of our key operating data on Kuaishou App for the periods indicated:

	11 months ended November 30,	
	2019	2020
Average DAUs (in millions)	171.7	263.8
Average MAUs (in millions)	323.9	481.4
Average daily time spent per DAU (in minutes)	74.2	86.7
Average MPUs for live streaming (in millions)	48.5	58.1
Monthly ARPPU for live streaming (in RMB)	53.4	47.6
Average online marketing services revenue per DAU (in RMB)	36.5	71.4
Total e-commerce GMV ⁽¹⁾ (in RMB millions)	42,348.5	332,682.2

Note:

(1) On our platform.

Unaudited Financial Information for the Eleven Months Ended November 30, 2020

Based on our unaudited management accounts, our total revenues for the eleven months ended November 30, 2020 were RMB52.5 billion. Our gross profit was RMB20.9 billion, representing a gross margin of 39.9%, in the eleven months ended November 30, 2020. Our operating loss was RMB9.4 billion in the eleven months ended November 30, 2020.

The foregoing unaudited financial information for the eleven months ended November 30, 2020 is derived from our unaudited interim condensed financial information for the eleven months ended November 30, 2020. We are responsible for the preparation of our unaudited interim condensed financial information for the eleven months ended November 30, 2020 in accordance

SUMMARY

with International Accounting Standard 34 “Interim Financial Reporting.” Our unaudited interim condensed financial information for the eleven months ended November 30, 2020 has been reviewed by our Reporting Accountant in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

Purchase and Lease of Certain Properties

We entered into a framework agreement with Beijing Shounong Information Industrial Investment Co., Ltd. (“**Beijing Shounong**”) on January 15, 2021, pursuant to which we, through Beijing Kuaishou, agreed to purchase certain properties with a total gross floor area of approximately 114.2 thousand square meters at a total consideration (tax inclusive) of approximately RMB2.8 billion and to lease certain properties with a total gross floor area of approximately 119.5 thousand square meters and relevant parking spaces for a total rental fee of approximately RMB22.8 million per month for the first three years, subject to certain conditions and the final terms in the property purchase contract and lease agreement to be entered into. These properties will mainly be used as our offices. We plan to pay the consideration for the property acquisition from our internal funds.

Notice 78

On November 12, 2020, the NRTA issued its Circular on Strengthening the Administration of 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) (“**Notice 78**”), which sets forth registration requirements for platforms providing online show live streaming or e-commerce live streaming as well as requirements for certain live streaming businesses with respect to real-name registration, limits on user spending on virtual gifting, restrictions on minors on virtual gifting, live stream review personnel requirements, content tagging requirements, and other requirements. During the Track Record Period, we generated a majority of our revenues from our live streaming business. We are still in the process of obtaining further guidance from regulatory authorities and evaluating the applicability and effect of the various requirements under Notice 78 on our business. Any limits on user spending on virtual gifting ultimately imposed may negatively impact our revenues derived from virtual gifting and our results of operations. For more information, see “Risk Factors — Risks Related to Our Business — Given that the internet business is highly regulated in China, intensified government regulation of the short video, live streaming and e-commerce industries in China could also restrict our ability to maintain or increase our user base or the user traffic to our platform, which will materially and negatively impact our business operations and financial results. Our failure to obtain and maintain requisite approvals, licenses or permits applicable to our business or any

SUMMARY

changes in government policies or regulations, could harm our business,” “Regulatory Overview — Regulations Relating to Online Live Streaming Services” and “Business — Licenses and Regulatory Approvals — Notice 78.”

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, save for the subsequent events as described in Note 38 to the Accountant’s Report set forth in Appendix I to this prospectus and the recent developments as described in “— Recent Developments” in this section above, there has been no material adverse change in our financial or trading position since September 30, 2020, being the end date of the periods reported in the Accountant’s Report in Appendix I to this prospectus, and there has been no event since September 30, 2020 that would materially affect the information as set out in the Accountant’s Report in Appendix I to this prospectus.

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

On the basis set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, we estimate that our unaudited consolidated loss attributable to the equity holders of our Company for the year ended December 31, 2020 to be not more than RMB116.7 billion (equivalent to approximately HK\$139.5 billion). Our loss estimate for the year ended December 31, 2020 has been substantially impacted by the fair value changes of our convertible redeemable preferred shares. Our convertible redeemable preferred shares will be automatically converted into ordinary shares upon the Listing, after which we do not expect to recognize any further loss or gain on fair value changes from convertible redeemable preferred shares. For details about our operating loss for the eleven months ended November 30, 2020 based on our unaudited management accounts, see “— Recent Developments.” For details about the estimate of our consolidated operating loss for the year ended December 31, 2020, see “Appendix III — Loss Estimate.”

In line with our overall growth strategy, we expect our selling and marketing expenses to increase in absolute amount in 2020 compared to 2019 due to our continuous and increased efforts to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem. As a result, we expect our net loss for the year ended December 31, 2020 to increase compared to the year ended December 31, 2019. Additionally, we expect our selling and marketing expenses and research and development expenses to continue to increase in absolute amount in the near future as we continue to invest in our ecosystem. As a result, we cannot assure you that we will turn profitable in the near future. See “Risk Factors — Risks Related to Our Business — We incurred net losses during the Track Record Period and may not be able to achieve or maintain profitability in the future.”

SUMMARY

We believe that our investments in selling and marketing and other efforts will continue to contribute to our plan to achieve profitability by growing our user base and user engagement, increasing our monetization and improving operating leverage.

IMPACT OF COVID-19 ON OPERATIONS

Due to the outbreak of COVID-19, our operations and financial performance in the nine months ended September 30, 2020 were affected by the following specific factors: (i) changes in user behaviors online which impacted our live streaming business; (ii) an increase in demand for online services led to stronger growth in our user base and engagement, which in turn attracted more online marketing customers; (iii) an increase in online purchases in lieu of offline transactions due to social distancing measures contributed to the growth of our e-commerce business, as evidenced by the amount of sales transacted on our platform; (iv) a surge in demand for online social and entertainment services in lieu of physical gatherings due to social distancing measures resulted in higher user traffic on our platform, which increased our bandwidth expenses, server custody costs and other similar costs; and (v) in response to the outbreak, we took a series of measures to protect our employees, including providing our employees with protective equipment immediately after the outbreak, which increased our operating costs.

In addition, due to governments' measures to contain the spread of the virus such as restrictions on mobility and travel and cancellation of public activities, our operations have, to a certain extent, been impacted by delays in business activities and commercial transactions as well as general uncertainties surrounding the duration of the governments' extended business and travel restrictions. In particular, the travel restrictions resulted in the reduction in size or even cancellation of our offline events, which temporarily adversely affected some of our marketing activities. Moreover, we took a series of measures in response to the outbreak to protect our employees, including, among others, temporary closure of our offices, remote working arrangements for our employees, and travel restrictions or suspension. These measures temporarily reduced the capacity and efficiency of our operations.

There remains significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic. Should China experience further outbreak, China may again take emergency measures to combat it, which may impact online businesses. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook for 2020 cannot be reasonably estimated at this time. For more details, see "Risk Factors — Risks Related to Our Business — Our business operations and financial performance have been affected by the COVID-19 outbreak" and "Financial Information — Impact of COVID-19 on Operations."

SUMMARY

BUSINESS SUSTAINABILITY

Since our inception, we have focused on empowering users to record and share their lives through videos. As an internet business in its early stage of operations, we are focused on building scale and exploring the most suitable business models, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for long-term development.

Our multiple levers to monetization have paved the way for our profitability and generated sustainable operating cash flows to fund our business. In the meantime, we continued to invest in growing our content community, user base and user engagement to support the long-term development of our ecosystem. As our user base continued to expand and the industry continued to evolve, we incurred higher selling and marketing expenses in order to retain and acquire users as well as enhance our brand awareness, which have impacted our operating expenses.

As the short video and live streaming market continues to develop in China, huge market opportunities, especially those for a significant-scale content-based social platform, continue to emerge across a multitude of industries. To capitalize on these opportunities, we made a strategic decision to invest in our overall ecosystem. For example, we invested in our selling and marketing efforts, among other things, to grow our user base and user engagement and enhance our brand recognition. We also invested in various other areas such as product development and research and development capabilities. As a result of these efforts, our average DAUs on Kuaishou App increased from 175.6 million in 2019 to 262.4 million in the nine months ended September 30, 2020. The average DAUs on our Kuaishou Express, which was officially launched in August 2019, exceeded 100 million in August 2020, in just one year from its official launch. The average daily time spent per DAU on Kuaishou App increased from 74.6 minutes in 2019 to 86.3 minutes in the nine months ended September 30, 2020. We believe our investment in selling and marketing efforts, among other things, has enlarged our user base, increased user engagement and enabled us to capture the finite resource of user attention, which has ultimately enhanced our market competitiveness.

We believe our enlarged user base, increased user engagement and enhanced brand image will help us further grow and diversify our revenues. As our user base and user engagement continue to grow, we expect to enjoy powerful network effects which will in turn generate more social interactions and transactions on our platform and attract more users, advertisers, merchants and other business partners to our platform. This will enable us to increase our revenues through various monetization channels. Accordingly, as our ecosystem continues to grow, we believe our scale, coupled with the self-reinforcing network effects, will enhance our ability to compete effectively.

SUMMARY

Going forward, we plan to achieve profitability primarily by further (i) growing our user base and user engagement, (ii) increasing our monetization, and (iii) increasing operating leverage. This will allow us to increase our revenue and manage our costs and expenses, in order to reach and maintain profitability and positive operating cash flows. See “Business — Business Sustainability” for more details.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 365,218,600 Class B Shares are issued pursuant to the Global Offering; and (ii) 4,108,194,737 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK\$105 per Offer Share	Based on an Offer Price of HK\$115 per Offer Share
Market capitalization of our Shares ⁽¹⁾	HK\$431.4 billion	HK\$472.4 billion
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$16.64 (RMB13.92)	HK\$17.52 (RMB14.65)

Notes:

- (1) The calculation of market capitalization is based on 4,108,194,737 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share as of September 30, 2020 is calculated after making the adjustments referred to in Appendix II to this prospectus and on the basis that 4,108,194,737 Shares are expected to be in issue immediately upon completion of the Global Offering.

For the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share attributed to our Shareholders, see “A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” in Appendix II to this prospectus.

SUMMARY

LISTING EXPENSES

Our listing expenses in connection with the Global Offering consist primarily of underwriting commission and professional fees, and are estimated to be approximately RMB582.6 million (HK\$696.6 million), representing approximately 1.7% of our gross proceeds from the Global Offering (assuming that the Global Offering is conducted at the mid-point of the Offer Price range and the Over-allotment Option is not exercised). During the Track Record Period, we incurred listing expenses of RMB23.1 million, which was charged to our consolidated income statements. We estimate that approximately RMB50.6 million of the remaining listing expense will be charged to the consolidated income statements and RMB508.9 million will be charged to equity upon completion of the Global Offering.

USE OF PROCEEDS

Assuming an Offer Price of HK\$110.00 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK\$105.00 and HK\$115.00 per Offer Share), we estimate that we will receive net proceeds of approximately HK\$39,477.4 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 35%, or HK\$13,817.1 million, will be used to enhance and grow our ecosystem, including but not limited to:
 - continue enriching and improving the quality and diversity of our content offerings on our platform in order to attract and retain a broad user base, including through (i) encouraging users to create content on our platform, and (ii) promoting new content categories that we have identified as addressing unmet user interests on our platform;
 - continue improving the experience of our users and business partners through improved functionalities and services, including (i) improving our functions and features to develop new interactive features and support our users in developing a following, (ii) expanding our suite of online marketing solutions, formats and options for advertisers to effectively reach their target audience and encouraging the improvement of the quality of ads, and (iii) growing our e-commerce marketplace and providing better tools to help merchants manage their businesses and to enhance users' product discovery and purchasing experience;

SUMMARY

- further expand user reach and enhance user engagement through online and offline marketing and promotional activities, especially through targeted and precise marketing and promotional campaigns driven by insights into user preferences, such as app store advertisements and collaborations with targeted brands; and
- continue developing and expanding our product and service offerings to fulfill evolving user needs that naturally arise from our ecosystem, including online games, online knowledge sharing and other products and services;
- approximately 30%, or HK\$11,843.2 million, will be used to strengthen our research and development and technological capabilities, including to:
 - invest in technologies to strengthen our technological capabilities in areas such as AI and big data, including to (i) continue developing deep reinforcement learning algorithms and MMU technology to further enhance our personalized recommendation engine, which enables us to amass deeper insights into user preferences and improve the quality of our products and services, (ii) expanding our big data computational engine to process the increasing amount of data generated on our platform, (iii) investing in our machine learning, computer vision and computer graphics capabilities to provide new and attractive content creation tools and further encourage content creation and interaction on our platform, and (iv) upgrading video compression and live streaming technologies to improve user experience by ensuring higher video quality, lower latency, faster upload speed and transmission stability under various network conditions;
 - continuously retain and incentivize our research and development talents, attract and cultivate top-notch experts, scientists, researchers and other talents in relevant fields such as AI and data analytics in order to support our research and development initiatives, including, but not limited to, (i) the development of superior video compression technologies and their large-scale implementation, (ii) the improvement of our streaming technologies to further enhance performance on our apps, and (iii) further refining our technology-driven features and functions on our apps such as AR, filters and other Special Effects; and
 - continuously upgrade and scale our IT infrastructure, including data centers and cloud computing bandwidth, to support our growing ecosystem as well as product and service offerings;

SUMMARY

- approximately 25%, or HK\$9,869.4 million, will be used for selective acquisitions of or investment in products, services and businesses, particularly in areas such as content, social entertainment and software, that are complementary to our business and are in line with our philosophy and growth strategies, in particular to strengthen our technological position, enrich our ecosystem, attract new users to our platform and broaden our product and service offerings. We will seek out potential businesses and assets that provide synergies with our current business. In particular, we seek to make investments in products and services that address the user needs which arise from the interactions among our ecosystem participants. The Company employs internal approval procedures and governance policies to review and evaluate potential investment or acquisition opportunities in terms of strategic value, assets or businesses, potential synergies, financial return, investor rights and risk, among other criteria. We have no intention to use any portion of the net proceeds to settle the payments for the acquisitions referred to in the section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in respect of Companies and Business to be Acquired after the Track Record Period.” As of the Latest Practicable Date, we have not identified any other target of potential acquisition; and
- approximately 10%, or HK\$3,947.7 million, will be used for working capital and general corporate purposes.

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the purposes set out above on a pro rata basis.

After deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds of approximately HK\$41,276.0 million from the Global Offering, assuming the Offer Price is determined to be HK\$115.00 per Offer Share, being the high-end of the indicative Offer Price range stated in this prospectus, approximately HK\$37,678.9 million, assuming the Offer Price is determined to be HK\$105.00 per Offer Share, being the low-end of the indicative Offer Price range stated in this prospectus, and approximately HK\$39,477.4 million, assuming the Offer Price is determined to be HK\$110.00 per Offer Share, being the mid-end of indicative Offer Price range stated in this prospectus.

SUMMARY

Assuming the Over-allotment Option was exercised in full, after deducting the underwriting commission and estimated related expenses payable by our Company, we estimate that the total net proceeds that we would receive would be (i) HK\$47,022.8 million (assuming an Offer Price of HK\$115.00 per Offer Share, being the high-end of the indicative Offer Price range stated in this prospectus), (ii) HK\$44,974.4 million (assuming an Offer Price of HK\$110.00 per Offer Share, being the mid-end of the indicative Offer Price range stated in this prospectus) and (iii) HK\$42,926.0 million (assuming an Offer Price of HK\$105.00 per Offer Share, being the low-end of the indicative Offer Price range stated in this prospectus); we also estimate the net proceeds that the Option Grantors would receive from the sale of Option Shares pursuant to the Global Offering would be (i) HK\$458.2 million (assuming an Offer Price of HK\$115.00 per Offer Share, being the high-end of the indicative Offer Price range stated in this prospectus), (ii) HK\$438.3 million (assuming an Offer Price of HK\$110.00 per Offer Share, being the mid-end of the indicative Offer Price range stated in this prospectus) and (iii) HK\$418.4 million (assuming an Offer Price of HK\$105.00 per Offer Share, being the low-end of the indicative Offer Price range stated in this prospectus). We will not receive net proceeds from the sale of Option Shares by the Option Grantors pursuant to the Over-allotment Option.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term interest-bearing accounts at authorized licensed banks.

We will issue announcements, where required, if there is any material change in the use of proceeds mentioned above.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Articles” or “Articles of Association”	the articles of association of the Company adopted on January 18, 2021, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audio-Visual Permit”	Permit for Dissemination of Audio-Visual Programs via Information Network (《信息網絡傳播視聽節目許可證》)
“Audit Committee”	the audit committee of the Board
“Beijing Chenzhong”	Beijing Chenzhong Technology Co., Ltd. (北京晨鐘科技有限公司), a limited liability company incorporated under the laws of the PRC on July 6, 2017 and our Consolidated Affiliated Entity
“Beijing Danmu”	Beijing Danmu Network Technology Co., Ltd. (北京彈幕網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on October 20, 2015 and our Consolidated Affiliated Entity
“Beijing Hanyu”	Beijing Hanyu Internet Technology Co., Ltd. (北京瀚宇互聯科技有限公司), a limited liability company incorporated under the laws of the PRC on December 12, 2017 and our Consolidated Affiliated Entity
“Beijing Jiawen”	Beijing Jiawen Technology Co., Ltd. (北京嘉文科技有限公司), a limited liability company incorporated under the laws of the PRC on May 6, 2020 and our Consolidated Affiliated Entity
“Beijing Kuaifu’an”	Beijing Kuaifu’an Culture Communication Co., Ltd. (北京快富安文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on September 29, 2017 and our Consolidated Affiliated Entity

DEFINITIONS

“Beijing Kuaishou”	Beijing Kuaishou Technology Co., Ltd. (北京快手科技有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2015 and our Consolidated Affiliated Entity
“Beijing Kuaishou Ads”	Beijing Kuaishou Ads Co., Ltd. (北京快手廣告有限公司), a limited liability company incorporated under the laws of the PRC on September 23, 2016 and our indirect wholly-owned subsidiary
“Beijing Mufei”	Beijing Mufei Technology Co., Ltd. (北京慕飛科技有限公司), a limited liability company incorporated under the laws of the PRC on November 7, 2019 and our Consolidated Affiliated Entity
“Beijing Murong”	Beijing Murong Technology Co., Ltd. (北京沐榕科技有限責任公司), a limited liability company incorporated under the laws of the PRC on May 8, 2019 and our Consolidated Affiliated Entity
“Beijing Muyuan”	Beijing Muyuan Technology Co., Ltd. (北京慕遠科技有限公司), a limited liability company incorporated under the laws of the PRC on June 19, 2017 and our Consolidated Affiliated Entity
“Beijing One Smile”	Beijing One Smile Technology and Development Co., Ltd. (北京一笑科技發展有限公司), a limited liability company incorporated under the laws of the PRC on November 29, 2011 and our Consolidated Affiliated Entity
“Beijing Qingque”	Beijing Qingque Technology Co., Ltd. (北京輕雀科技有限公司), a limited liability company incorporated under the laws of the PRC on August 5, 2020 and our Consolidated Affiliated Entity
“Beijing Ruigexing”	Beijing Ruigexing Auctions Co., Ltd. (北京瑞閣興拍賣有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2018 and our Consolidated Affiliated Entity

DEFINITIONS

“Beijing Sairui Sidong”	Beijing Sairui Sidong Culture Communication Co., Ltd. (北京賽瑞思動文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on September 25, 2013 and our Consolidated Affiliated Entity
“Beijing Shanggu Kaitian”	Beijing Shanggu Kaitian Technology Co., Ltd. (北京上古開天科技有限公司), a limited liability company incorporated under the laws of the PRC on May 15, 2019 and our Consolidated Affiliated Entity
“Beijing Yunche”	Beijing Yunche Technology Co., Ltd. (北京雲掣科技有限公司), a limited liability company incorporated under the laws of the PRC on September 19, 2018 and our Consolidated Affiliated Entity
“Beijing Zhongbo Keyuan”	Beijing Zhongbo Keyuan Technology Co., Ltd. (北京中博科遠科技有限公司), a limited liability company incorporated under the laws of the PRC on June 20, 2017 and our Consolidated Affiliated Entity
“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAC”	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (Act 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

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changsha Kuaishou”	Changsha Kuaishou Culture Communication Co., Ltd. (長沙快手文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on January 3, 2020 and our Consolidated Affiliated Entity
“Chengdu Kuaigou”	Chengdu Kuaigou Technology Co., Ltd. (成都快購科技有限公司), a limited liability company incorporated under the laws of the PRC on October 31, 2019 and our Consolidated Affiliated Entity
“Chengdu Magnetic Engine”	Chengdu Magnetic Engine Media Co., Ltd. (成都磁力引擎傳媒有限公司), a limited liability company incorporated under the laws of the PRC on September 25, 2020 and our indirect wholly-owned subsidiary
“Chengdu Suiyi”	Chengdu Suiyi Culture Communication Co., Ltd. (成都遂意文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on July 5, 2018 and our Consolidated Affiliated Entity
“Class A Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to 10 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

DEFINITIONS

“Class B Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.0000053 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented 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 and supplemented from time to time
“Company”, “our Company”, “the Company”, “we” or “us”	Kuaishou Technology (快手科技), an exempted company incorporated in the Cayman Islands with limited liability on February 11, 2014
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it in the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely the PRC Holdcos and their respective subsidiaries. For further details of these entities, see “Contractual Arrangements” in this prospectus
“Contractual Arrangements”	the series of contractual arrangements entered into between WFOE, PRC Holdcos and the Registered Shareholders (as applicable), details of which are described in “Contractual Arrangements” in this prospectus
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Su Hua, Mr. Cheng Yixiao, Reach Best and Ke Yong, details of which are set out in “Relationship with Our Controlling Shareholders” in this prospectus
“Corporate Governance Committee”	the corporate governance committee of the Board

DEFINITIONS

“Cosmic Blue”	Cosmic Blue Investments Limited, a limited liability company incorporated under the laws of the BVI on March 16, 2017 and our wholly-owned subsidiary
“COVID-19”	coronavirus disease 2019
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT” or “enterprise income tax”	enterprise income tax of the PRC
“EIT rate”	enterprise income tax rate
“Employee Shareholding Platforms”	Classic One Ventures Limited, Cheers Delight Limited and Extreme Victory Limited, all of which are limited liability companies incorporated under the laws of the BVI
“Fortune Ever”	Fortune Ever Global Limited, a limited liability company incorporated under the laws of Hong Kong on March 25, 2014 and our wholly-owned subsidiary
“Fortune One”	Fortune One Ventures Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. Yin Xin
“GAPP”	General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署)
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO service provider, Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Group”, “our Group” or “the Group”	our Company and our subsidiaries and our Consolidated Affiliated Entities, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the subsidiaries as if they were the subsidiaries of our Company at the time
“Guangzhou Xinxing”	Guangzhou Xinxing Ads Co., Ltd. (廣州欣星廣告有限公司), a limited liability company incorporated under the laws of the PRC on September 13, 2017 and our indirect wholly-owned subsidiary
“Guizhou Fankuai”	Guizhou Fankuai Culture Communication Co., Ltd. (貴州省梵快文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on March 5, 2019 and our Consolidated Affiliated Entity
“Guizhou Fanxin Lingzhi”	Guizhou Fanxin Lingzhi Information Technology Co., Ltd. (貴州省梵心靈指信息技術有限公司), a limited liability company incorporated under the laws of the PRC on March 5, 2019 and our Consolidated Affiliated Entity
“Hainan Ziyi”	Hainan Ziyi Technology Co., Ltd. (海南子依科技有限公 司), a limited liability company incorporated under the laws of the PRC on May 8, 2019 and our Consolidated Affiliated Entity
“Hangzhou Xinji”	Hangzhou Xinji Ads Co., Ltd. (杭州欣霽廣告有限公司), a limited liability company incorporated under the laws of the PRC on March 25, 2019 and our indirect wholly-owned subsidiary
“Hangzhou Youqu”	Hangzhou Youqu Network Co., Ltd. (杭州遊趣網絡有限公 司), a limited liability company incorporated under the laws of the PRC on July 7, 2008 and our Consolidated Affiliated Entity
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

DEFINITIONS

“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” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 9,130,500 Class B Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to reallocation and adjustments as described in “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the GREEN Application Form
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated January 25, 2021 relating to the Hong Kong Public Offering and entered into, among others, our Company, the Joint Sponsors, the Joint Representatives and the Hong Kong Underwriters as further described in “Underwriting — Underwriting Arrangements — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus
“Huai’an Kangxiangfu”	Huai’an Kangxiangfu Culture Communication Co., Ltd. (淮安康祥福文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on January 9, 2017 and our Consolidated Affiliated Entity

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“Huai’an Shuangxin”	Huai’an Shuangxin Culture Communication Co., Ltd. (淮安雙馨文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on August 7, 2020 and our Consolidated Affiliated Entity
“Huai’an Xingyi”	Huai’an Xingyi Culture Communication Co., Ltd. (淮安興藝文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on August 1, 2017 and our Consolidated Affiliated Entity
“Huankuai Technology”	Beijing Huankuai Technology Co., Ltd. (北京歡快科技有限公司), a limited liability company incorporated under the laws of the PRC on January 17, 2018 and our Consolidated Affiliated Entity
“Huayi Huilong”	Beijing Huayi Huilong Network Technology Co., Ltd. (北京華藝匯龍網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on November 6, 2006 and our Consolidated Affiliated Entity
“IASB”	International Accounting Standards Board
“ICB License”	the internet cultural business license (《網絡文化經營許可證》)
“ICP License”	the value-added telecommunications business operating license (《增值電信業務經營許可證》) for internet information service
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Group or our connected persons

DEFINITIONS

“International Offer Shares”	the 356,088,100 Class B Shares, being initially offered in the International Offering together with, where relevant, any additional Class B Shares to be sold or issued pursuant to the exercise of the Over-allotment Option (subject to reallocation and adjustments as described in “Structure of the Global Offering” in this prospectus)
“International Offering”	the offering of the International Offer Shares by our Company through the International Underwriters at the Offer Price in offshore transactions outside the United States in accordance with Regulation S under the U.S. Securities Act and within the United States to QIBs as defined in Rule 144A under the U.S. Securities Act or any other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the international underwriters for the International Offering, that are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around January 29, 2021 by, among others, our Company, the Joint Representatives and the International Underwriters in respect of the International Offering, as further described in “Underwriting — Underwriting Arrangements — The International Offering” in this prospectus
“iResearch”	Shanghai iResearch Co., Ltd., China, an industry consultant
“iResearch Report”	the industry report in respect of the Global Offering issued by iResearch
“Jiangsu Huafu”	Jiangsu Huafu Video Technology Co., Ltd. (江蘇華福視頻科技有限公司), a limited liability company incorporated under the laws of the PRC on March 2, 2017 and our Consolidated Affiliated Entity
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus

DEFINITIONS

“Joint Global Coordinators”	the joint global coordinators as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus
“Joint Lead Managers”	the joint lead manager as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus
“Joint Representatives”	Morgan Stanley Asia Limited (in relation to Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to International Offering only), Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited
“Joint Sponsors”	Morgan Stanley Asia Limited, Merrill Lynch Far East Limited and China Renaissance Securities (Hong Kong) Limited
“Jovial Star”	Jovial Star Global Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. Yang Yuanxi
“Kuaishou Smart Cloud”	Kuaishou Smart Cloud (Ulanhabu) Technology Co., Ltd. (快手智能雲(烏蘭察布)科技有限公司), a limited liability company incorporated under the laws of the PRC on May 29, 2020 and our Consolidated Affiliated Entity
“Ke Yong”	Ke Yong Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. Cheng Yixiao
“Latest Practicable Date”	January 18, 2021, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of our Class B 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 February 5, 2021 on which dealings in the Class B Shares first commence on the Stock Exchange

DEFINITIONS

“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 market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on January 18, 2021, which will become effective upon the Listing Date, a summary of which is set out in Appendix IV to this prospectus
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MCT”	Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅遊部)
“MOC”	Ministry of Culture of the PRC (中華人民共和國文化部) (since March 2018 known as the MCT)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Nomination Committee”	the nomination committee of the Board
“NPPA”	National Press and Publication Administration of the PRC (中華人民共和國國家新聞出版署)
“NRTA”	National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局)
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$115.00 and expected to be not less than HK\$105.00, at which the Offer Shares are to be subscribed for and to be determined in the manner further described in “Structure of the Global Offering — Pricing and Allocation” in this prospectus

DEFINITIONS

“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Class B Shares to be sold or issued pursuant to the exercise of the Over-allotment Option
“Option Grantors”	Reach Best, Mr. Su Hua, Ke Yong and Mr. Cheng Yixiao
“Option Shares”	the 54,782,700 Class B Shares to be sold or issued pursuant to the exercise of the Over-allotment Option (comprising up to 50,737,300 new Class B Shares to be issued by our Company and up to 4,045,400 Class B Shares to be sold by the Option Grantors)
“Over-allotment Option”	pursuant to the International Underwriting Agreement, the option to be granted by the Company and the Option Grantors to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters), pursuant to which the Option Grantors may be required to sell up to an aggregate of 4,045,400 additional Class B Shares and our Company may be required to allot and issue up to an aggregate of 50,737,300 additional Class B Shares at the Offer Price to cover, among other things, over-allocation, if any, in the International Offering. For further details, see “Structure of the Global Offering” in this prospectus
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on January 18, 2021, the principal terms of which are set out in “Statutory and General Information — 6. Post-IPO RSU Scheme” in Appendix V to this prospectus
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by our Company on January 18, 2021, the principal terms of which are set out in “Statutory and General Information — 5. Post-IPO Share Option Scheme” in Appendix V to this prospectus
“PRC” or “China”	the People’s Republic of China, but for the purposes of this prospectus only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“PRC Holdcos”	(i) Hangzhou Youqu, (ii) Huayi Huilong, (iii) Beijing One Smile, (iv) Beijing Mufei, (v) Beijing Jiawen, (vi) Beijing Hanyu, (vii) Beijing Murong, (viii) Guizhou Fankuai, (ix) Beijing Zhongbo Keyuan, (x) Sichuan Fuyuanchun (this company is in the process of being deregistered), (xi) Huankuai Technology, (xii) Guizhou Fanxin Lingzhi, (xiii) Huai’an Shuangxin and (xiv) Beijing Qingque
“PRC Legal Advisor”	Haiwen & Partners, acting as legal counsel as to PRC law to our Company
“Preferred Shares” or “preferred shares”	collectively, Series A Preferred Shares, Series B Preferred Shares, Series B-1 Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares, Series D Preferred Shares, Series D-1 Preferred Shares, Series E Preferred Shares, Series E-1 Preferred Shares, Series F-1 Preferred Shares, and Series F-2 Preferred Shares
“Pre-IPO ESOP”	the pre-IPO employee incentive scheme adopted by the Company dated February 6, 2018 as amended from time to time, the principal terms of which are set out in “Statutory and General Information — 4. Pre-IPO ESOP” in Appendix V to this prospectus
“Pre-IPO Investments”	the investments made by the Pre-IPO Investors, the principal terms of which are summarized in “History and Corporate Structure — Pre-IPO Investments” in this prospectus
“Pre-IPO Investor(s)”	holders of ordinary shares and holders of Preferred Shares other than the WVR Beneficiaries
“Price Determination Date”	the date, expected to be on or around January 29, 2021 on which the Offer Price is determined, or such later time as the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company may agree, but in any event no later than February 2, 2021
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering

DEFINITIONS

“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Qrite”	Qrite Technology Limited, an exempted company incorporated under the laws of the Cayman Islands on January 16, 2015 and our wholly-owned subsidiary
“Radio and Television Production Operation License”	Radio and TV Programs Production and Operation License (《廣播電視節目製作經營許可證》)
“Reach Best”	Reach Best Developments Limited, a limited liability company incorporated under the laws of the BVI which is controlled by Mr. Su Hua
“Registered Shareholders”	the registered shareholders of the PRC Holdcos
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of our 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 our auditors, and (iv) the voluntary liquidation or winding-up of our Company
“RMB” or “Renminbi”	the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) (since March 2018 known as the State Administration for Market Regulation (國家市場監督管理總局) (the “SAMR”))

DEFINITIONS

“SAPPRFT”	State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣播電視總局), formerly known as the GAPP, the SARFT and since March 2018 was reformed and now known as the NRTA
“SARFT”	State Administration of Radio, Film and Television of the PRC (中華人民共和國國家廣播電影電視總局)
“SAT”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Series A Preferred Share(s)”	the series A preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 356,224,601 shares are in issue as of the Latest Practicable Date
“Series B Preferred Share(s)”	the series B preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 474,997,455 shares are in issue as of the Latest Practicable Date
“Series B-1 Preferred Share(s)”	the series B-1 preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 6,416,275 shares are in issue as of the Latest Practicable Date
“Series C Preferred Share(s)”	the series C preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 282,319,024 shares are in issue as of the Latest Practicable Date
“Series C-1 Preferred Share(s)”	the series C-1 preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 42,728,141 shares are in issue as of the Latest Practicable Date
“Series D Preferred Share(s)”	the series D preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 186,068,877 shares are in issue as of the Latest Practicable Date

DEFINITIONS

“Series D-1 Preferred Share(s)”	the series D-1 preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 407,236,905 shares are in issue as of the Latest Practicable Date
“Series E Preferred Share(s)”	the series E preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 200,120,473 shares are in issue as of the Latest Practicable Date
“Series E-1 Preferred Share(s)”	the series E-1 preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 34,306,363 shares are in issue as of the Latest Practicable Date
“Series F-1 Preferred Share(s)”	the series F-1 preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 104,576,622 shares are in issue as of the Latest Practicable Date
“Series F-2 Preferred Share(s)”	the series F-2 preferred shares of par value US\$0.0000053 per share in the authorized share capital of our Company, of which 354,162,343 shares are in issue as of the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Xinji”	Shanghai Xinji Ads Co., Ltd. (上海欣霽廣告有限公司), a limited liability company incorporated under the laws of the PRC on March 6, 2019 and our indirect wholly-owned subsidiary
“Shanghai Xinxing”	Shanghai Xinxing Multimedia Technology Co., Ltd. (上海欣星多媒體科技有限公司), a limited liability company incorporated under the laws of the PRC on April 12, 2018 and our indirect wholly-owned subsidiary

DEFINITIONS

“Shareholder(s)”	holder(s) of our Shares
“Share(s)”	the Class A Shares and Class B Shares in the capital of our Company, as the context so requires
“Share Option Disclosure Requirements”	the requirements set out under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Sichuan Fuyuan Chun”	Sichuan Fuyuan Chun Culture Communication Co., Ltd. (四川福源春文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on October 17, 2018 and our Consolidated Affiliated Entity. Sichuan Fuyuan Chun is in the process of being deregistered
“Sichuan Kuaishou”	Sichuan Kuaishou Internet Information Technology Co., Ltd, (四川快手互聯網信息有限公司), a limited liability company incorporated under the laws of the PRC on May 25, 2020 and our Consolidated Affiliated Entity
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into on or about the Price Determination Date among Morgan Stanley & Co. International plc, Reach Best and Ke Yong
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Tencent”	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be

DEFINITIONS

“Tianjin Huilong”	Tianjin Huilong Culture Communication Co., Ltd. (天津匯龍文化傳播有限公司), a limited liability company incorporated under the laws of the PRC on February 1, 2018 and our Consolidated Affiliated Entity
“Track Record Period”	the period comprising the three financial years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020
“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.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“VIE” or “VIEs”	variable interest entity or variable interest entities
“WFOE” or “Beijing Dajia”	Beijing Dajia Internet Information Technology Co., Ltd. (北京達佳互聯信息技術有限公司), a limited liability company incorporated under the laws of the PRC on July 2, 2014 and our indirect wholly-owned subsidiary
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO Service Provider at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Wuhan Kuaishou”	Wuhan Kuaishou Multimedia Technology Co., Ltd. (武漢快手多媒體技術有限公司), a limited liability company incorporated under the laws of the PRC on February 27, 2018 and our Consolidated Affiliated Entity
“Wuhan Yuji”	Wuhan Yuji Technology Co., Ltd. (武漢雨霽科技有限公 司), a limited liability company incorporated under the laws of the PRC on September 11, 2019 and our Consolidated Affiliated Entity
“WVR” or “weighted voting right”	has the meaning ascribed to it in the Listing Rules
“WVR Beneficiaries”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Su Hua and Mr. Cheng Yixiao, being the holders of the Class A Shares, entitling each to weighted voting rights, details of which are set out in “Share Capital”
“WVR Structure”	has the meaning ascribed to it in the Listing Rules
“Xiangxi Kuaishou”	Xiangxi Kuaishou Technology Service Co., Ltd. (湘西快手 技術服務有限公司), a limited liability company incorporated under the laws of the PRC on October 11, 2019 and our Consolidated Affiliated Entity
“Xingzhen Technology”	Xingzhen Technology (Shanghai) Co., Ltd. (星臻科技(上 海)有限公司), a limited liability company incorporated under the laws of the PRC on October 19, 2020, and our Consolidated Affiliated Entity
“Xiong’an Kuaishou”	Hebei Xiong’an Kuaishou Technology Co., Ltd. (河北雄安快 手科技有限公司), a limited liability company incorporated under the laws of the PRC on July 13, 2018 and our Consolidated Affiliated Entity
“Yooeee Xingji”	Yooeee Xingji (Beijing) Technology Co., Ltd. (遊藝星際 (北京)科技有限公司), a limited liability company incorporated under the laws of the PRC on November 3, 2006 and our Consolidated Affiliated Entity
“%”	per cent.

DEFINITIONS

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meanings or usages of these terms.

“AI”	artificial intelligence
“AR”	augmented reality
“ARPPU”	average revenue per paying user, calculated as revenue in a given period divided by the number of paying users during that period
“DAUs”	refers to daily active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the day
“DAUs of our apps and mini programs in China”	refers to DAUs by the total number of mobile devices, excluding spam devices, that access any of our available apps and their associated mini programs in China at least once during the day
“deep reinforcement learning”	deep learning powered by reinforcement learning technology
“GMV”	gross merchandise value, the total value of all orders for products and services placed on, or directed to our partners through, our platform, regardless of whether the order is settled or returned, excluding single transactions of RMB100,000 or greater and any series of transactions from a single buyer totaling RMB1,000,000 or greater in a single day, unless they are settled
“GPU”	graphics processing unit
“gross billings”	total value of virtual items being gifted during live streaming on our platform

GLOSSARY OF TECHNICAL TERMS

“KGNN”	Kuaishou Graph Neural Network, a proprietary graph neural network on which our hyperscale deep learning and reinforcement learning based recommendation engine is built
“KTP”	Kuaishou Transmission Protocol, a private transmission protocol developed by us
“Kuaishou App”	collectively, Kuaishou Flagship, Kuaishou Express and Kuaishou Concept mobile apps
“Kuaishou Concept”	an app that we launched in November 2018 to explore different user needs and preferences
“Kuaishou Express”	a variant of Kuaishou Flagship that was officially launched in August 2019
“Kuaishou fans headline services”	a marketing service we provide that allows content creators to pay for exposure to additional traffic for their short videos or live streams
“Kuaishou Flagship”	a mobile app that was derived from our original mobile app, <i>GIF Kuaishou</i> (launched in 2011)
“KVC”	Kuaishou Video Coding, a proprietary video codec developed by us
“KwaiCoins”	Kuaishou’s unit of exchange which users can exchange for virtual items
“LAS”	Live Adaptive Streaming, an adaptive bitrate streaming standard for live streams
“MAUs”	refers to monthly active users, which are calculated as the number of unique user accounts, excluding spam accounts, that access an app at least once during the calendar month
“MAUs of our apps and mini programs in China”	refers to MAUs by the total number of mobile devices, excluding spam devices, that access any of our available apps and their associated mini programs in China at least once in a calendar month

GLOSSARY OF TECHNICAL TERMS

“MCNs”	multi-channel networks, which refer to agencies that work with content creators and assist them in areas such as audience development, content programming, content creator collaborations, digital rights management, monetization and sales
“MMU”	multimedia understanding
“MPUs”	monthly paying users, which refers to the number of user accounts that purchase a particular service at least once in a given month
“MR”	mixed reality
“paying user”	a user account that purchases a particular service at least once during a given period
“PK”	a contest between two parties to see which party can receive more virtual items from viewers in a given amount of time
“repeat purchase rate”	the percentage of purchasing users in a given month that also make a purchase in the following month
“Special Effects”	AR and MR functions
“Ulanqab Data Center”	a hyperscale internet data center designed by our research and development team and to be built in Ulanqab of Inner Mongolia, China
“virtual items”	non-physical items available for exchange on our platform, which our users can gift to streamers as a gesture of friendship, appreciation, admiration or support

Unless otherwise indicated, DAUs and MAUs refer to Kuaishou App’s DAUs and MAUs respectively. In “Industry Overview”, DAUs are calculated in terms of number of unique mobile devices.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we operate or are seeking to operate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance, achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our business and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and

FORWARD-LOOKING STATEMENTS

- certain statements in “Financial Information” in this prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our views only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

Investing in the Offer Shares involves risks. Before deciding to invest in Offer Shares, you should carefully consider all of the information in this prospectus, including the following risk factors, in light of the circumstances and your own investment objectives. The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations and prospects, in which case the trading price of our Class B Shares could also decline, and you could lose part or all of your investment. In addition to the risks described below, there may be other risks and uncertainties not currently known to us or that we currently deem to be immaterial which may in the future become material risks. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that may differ significantly from that of other countries.

RISKS RELATED TO OUR BUSINESS

If we fail to retain our existing users, keep them engaged or acquire new users in a cost-efficient manner, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The size of our user base and the level of our user engagement are critical to our success. Our current monetization methods — live streaming, online marketing services, e-commerce, online games and online knowledge-sharing — depend on our ability to increase the size of our user base and user engagement. If we fail to grow our user base, either due to our failure to retain existing users or attract new users, or our users become less active, our users may spend less on our virtual items and other products and services promoted on our platform and access our platform less frequently. This could drive content creators away from our platform, discourage advertisers from purchasing advertisements on our platform, dissuade merchants from promoting products on our platform and dissuade game developers and publishers from distributing their games through our platform. We may need to conduct more marketing and branding activities and incur additional selling and marketing expenses to retain existing users and attract new users, content creators, advertisers, merchants, game developers and publishers. We may suffer from a consequential decline in revenues, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

The average DAUs on our Kuaishou App in the nine months ended September 30, 2020 was 262 million. Growing our large user base and maintaining a high level of user engagement require us to adequately and timely respond to changes in user preferences, attract and retain popular content creators and offer new features and content. A number of factors could negatively affect user retention, growth and engagement, including if:

- we fail to maintain our user base, the breadth and diversity of our content and innovate products that keep our users interested and engaged on our platform;
- technical or other problems prevent us from delivering our services in a timely and reliable manner or otherwise adversely affect user experience;
- we fail to develop new advertisement formats that appeal to users and advertisers;
- features and functions we design and develop to enhance our user experience and retention are not effective or long-lasting;
- we fail to develop and carry out new business initiatives;
- we fail to upgrade our existing products or develop new products to adapt to new technologies such as 5G;
- we suffer from negative publicity, fail to maintain our brand image or our reputation is damaged;
- we are unable to combat spam or inappropriate or abusive use of our platform, which may lead to negative publicity;
- we fail to address user concerns related to privacy, safety, security or other factors;
- we make adverse changes to our products and services or become no longer able to provide products and services in response to new legislation, regulations or government policies;
- the growth in the number of internet users in China, or the penetration of short video and live streaming stalls;
- we fail to expand to new geographic markets or sectors with high growth potential; and
- we fail to compete effectively.

RISK FACTORS

If we fail to attract, cultivate and retain content creators, or if our content creators cease to contribute content or their contributions become less valuable to other users, we may experience declines in the number of users accessing our platform and in user engagement.

The quality of the content offered on our platform and our users' level of engagement are critical to our success. In order to attract and retain users and compete effectively, we must continue to offer interesting, attractive and useful content and enhance our users' viewing experience. We largely rely on our content creators to create high-quality short video and live streaming content. We cannot guarantee that our content creators will continue to create popular content on our platform. If our content creators cease to contribute content, or their content fails to attract or retain our users, we may experience declines in user traffic and user engagement and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Although we have adopted various measures to further strengthen the relationships between us and our content creators, such content creators may still choose to leave our platform, and their departure may cause a corresponding decline in our user base. As we attract content creators from other platforms, we may be involved in legal disputes with competing platforms. Although we are not the primary target of these legal disputes, such content creators may be subject to fines or even injunctions which may render our investment in recruiting them ineffective. On the other hand, some of our content creators may leave us for competing platforms despite their extensive and in-depth cooperations with us, which may result in legal disputes and a negative impact on our user retention and reputation. In order to retain our content creators, we must continue to improve monetization opportunities for them, and assist them in reaching a wider audience. We cannot guarantee that our content creators will not leave us despite our best efforts.

If we fail to maintain our unique community culture and our vibrant ecosystem or fail to retain our existing business partners or attract new business partners, our user interactions, engagement and experience will be materially and adversely affected, which would be detrimental to our business operations.

We have cultivated an interactive and vibrant online social community characterized by our core values of being authentic, diverse, beautiful and beneficial. We also strive for a superior user experience by continuously improving our user interface and the features of our platform and encouraging active interactions among our users and business partners. As a result, our platform fosters a vibrant ecosystem for our users and business partners to interact on the basis of our deep and diverse content base, giving rise to myriad user needs which we could address by continuously developing Kuaishou App. We believe that maintaining and promoting a vibrant community culture and ecosystem is critical to retaining and expanding our user base. We have taken multiple initiatives to preserve our community culture, values and ecosystem. Despite our efforts, we may

RISK FACTORS

be unable to maintain our community culture and ecosystem and cease to be the preferred platform for our users and business partners. For example, conflicts among our users or business partners and inflammatory comments posted on our platform may damage our community culture and brand image, which would be detrimental to our business operations.

Our business partners include advertisers, merchants and others. We help our advertisers to reach and engage with their target customers through the services and solutions we offer. We provide our merchants with a marketplace to sell their products. Our ability to grow our revenues to a certain extent depends on our ability to retain and enhance our relationships with our existing business partners and attract new ones. Our success also depends on our ability to provide effective services and solutions that meet the expectations of our business partners. For instance, if we fail to develop new advertisement formats or effective marketing solutions that are appealing to our business partners, they may turn to our competitors for alternative services. Our business also relies on content, services and technologies provided by some business partners. If we fail to retain and enhance our business relationships with these business partners, or if these business partners choose to terminate or change the terms of our cooperation arrangements for strategic, financial or other reasons, we may suffer content loss, service interruptions, reduced revenues, which may have a material and adverse effect on our business, financial condition and results of operations.

The industry in which we operate is characterized by constant change. If we fail to keep up with changes in user preferences or behaviors, or if we fail to continuously innovate our technologies or to design features that meet the expectations of our users, our platform may become less attractive or obsolete and our ability to retain existing users and attract new users may be adversely affected.

The internet industry, in general, is evolving. Social platforms are also characterized by constant change, including rapid technological evolution, continual shifts in customer demands and preferences, frequent introductions of new products and services and the constant emergence of new industry standards and practices. In addition, short videos and live streaming, each as a content format, may be replaced by new content formats. Our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner; failure to do so may cause our user base to shrink and user engagement to decline, thereby materially and adversely affecting our results of operations. Furthermore, as the mobile internet penetration rate in China increases, future growth potential of the mobile internet market may not be as significant as in the past, as the market becomes relatively saturated, which may in turn materially and adversely affect our results of operations.

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Our technological capabilities are critical to our success. We need to keep up with the emergence of new technologies and assess their market acceptance. We also need to invest significant resources, including financial resources, in research and development to keep pace with technological advances in order to make our platform competitive. However, prospects of research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results. Our significant expenditures in research and development may not generate corresponding benefits as anticipated. Given the fast pace at which technology has been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, if at all. New technologies in short video or live streaming could render our technologies, our platform or products or services that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related product development costs, outsourcing costs and licensing costs, which could result in a decline in our revenues and market share.

Our historical growth rates may not be indicative of our future growth. We may not be able to effectively manage our growth as a result of the increased complexity of our business, which may adversely affect our business and operating results.

Our business operations commenced in 2011, and we began monetization for our business in 2016. We experienced significant growth in DAUs and revenues during the Track Record Period. We generated revenues of RMB8.3 billion, RMB20.3 billion, RMB39.1 billion, RMB27.3 billion and RMB40.7 billion in 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively. The average DAUs on Kuaishou App was 67 million, 117 million, 176 million, 165 million and 262 million in 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively. Regardless of the various efforts we have made and will continue to make in the future, we cannot assure you that the user engagement on our platform will continue, or that our business will be able to maintain the growth rate as in the past. In addition, as market competition intensifies and our industry matures, the growth rate of our user base may decrease.

Managing our growth will require significant expenditures and allocation of resources. To manage our growth as well as achieve and maintain profitability, we expect our costs and expenses to continue to increase in the future. We will also need to expand, train, manage and motivate our workforce and manage our relationships with viewers and content creators, advertisers, merchants and other business partners. We also expect to continue to invest in our infrastructure in order to enable us to provide our services rapidly and reliably to viewers and content creators. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures, which could end up straining our ability to maintain reliable service levels for our users, to research and develop products, to improve our operational, auditing, human

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resources, financial and management controls, and to enhance our internal data systems. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We incurred net losses during the Track Record Period and may not be able to achieve or maintain profitability in the future.

In 2017, 2018, 2019 and the nine months ended September 30, 2020, we incurred net losses of RMB20.0 billion, RMB12.4 billion, RMB19.7 billion and RMB97.4 billion, respectively. In 2017, 2018, 2019, by using the non-IFRS measure, our adjusted net profit was RMB774.0 million, RMB204.8 million and RMB1.0 billion, respectively, and in the nine months ended September 30, 2020, our adjusted net loss was RMB7.2 billion. The time it will take for us to achieve profitability hinges on our ability to effectively monetize our product and service offerings and continuously grow revenues in a cost-effective way, which we may not successfully achieve.

While our future revenue growth will depend on the realization of our monetization strategies, our ability to grow cost-effectively will primarily depend on improvements in our operational efficiency. We may not be able to continue to increase our operational efficiency, or our operational efficiency may not reach a sufficient level to achieve profitability. Our ability to continue to improve operational efficiency will depend on, among other things, our ability to attract and retain users, to enhance the interactions among our users, to optimize our operations, and to further achieve economies of scale. Our ability to achieve profitability will also depend on various external factors, many of which are beyond our control, such as the status of short video and live streaming as popular content formats in China and the development of other social platforms.

We may continue to incur losses in the future due to our continued investment in our sales and marketing initiatives, products and services, technologies as well as research and development. Changes in the macroeconomic and regulatory environment or competitive dynamics and our inability to respond to these changes in a timely and effective manner may also impact our profitability. Accordingly, we cannot assure you that we will turn profitable in the future, and our accumulated losses may adversely affect our overall ability to declare and pay dividends after the Listing.

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Revenue generated from live streaming accounts for a majority of our revenues and such revenue is heavily dependent on the number of paying users and ARPPU for live streaming. If we fail to continue to grow or maintain our paying user base and fail to increase ARPPU for live streaming, our revenues may not grow as we anticipate, which may materially and adversely affect our business operation and financial results.

In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our revenue generated from live streaming was RMB7.9 billion, RMB18.6 billion, RMB31.4 billion, RMB22.9 billion and RMB25.3 billion, contributing 95.3%, 91.7%, 80.4%, 84.1% and 62.2% of our total revenues, respectively. In order to sustain our revenue growth from live streaming, we must continue to attract users onto our platform, ensure high level of user engagement and effectively monetize our live streaming content. To effectively monetize our user base, we need to continue to develop products and services that are desirable to our users, as well as set proper pricing strategies. Although our live streaming business has experienced significant growth in recent years, we may not achieve a similar growth rate in the future, as users' demand for this service may decline, or we may fail to anticipate and cater to users' demand effectively.

Our average MPUs for live streaming grew from 12.6 million in 2017 to 28.3 million in 2018, to 48.9 million in 2019 and further to 59.9 million in the nine months ended September 30, 2020. Our monthly ARPPU for live streaming changed from approximately RMB52.5 in 2017 to RMB54.9 in 2018 to RMB53.6 in 2019 and to RMB47.0 in the nine months ended September 30, 2020. Whether we can continue to grow our paying user base or our monthly ARPPU for live streaming depends on many factors, many of which are out of our control. Although we try to optimize the merchandizing of our virtual items, if we fail to maintain attractive pricing for our virtual items, our users may be less likely to purchase them. We cannot guarantee that our attempts to monetize our live streaming content will continue to be successful, and therefore the future revenues and income potential of our business are difficult to evaluate. For example, our streamers may be less willing to remain on our platform as the amount of virtual gifting from the audience goes down due to the deterioration of general economic conditions or the decrease in their disposable income. We expect that our business will continue to be heavily dependent on live streaming revenue in the near future. Any decline in the number of paying users or ARPPU for live streaming may materially and adversely affect our results of operations.

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We generate an increasing portion of our revenues from online marketing services. The failure to attract new advertisers, the loss of existing advertisers, or a reduction in their demand for our services could materially harm our business.

In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our revenue generated from online marketing services was RMB390.6 million, RMB1.7 billion, RMB7.4 billion, RMB4.3 billion and RMB13.3 billion, respectively, contributing to 4.7%, 8.2%, 19.0%, 15.6% and 32.8% of our total revenues, respectively.

Our ability to generate and maintain our online marketing services revenue depends on a number of factors, including the effectiveness of our advertisements; our ability to target the right users; the scale, engagement and loyalty of our users; effectiveness of our products and services; and market competition on advertising prices. It is important for us to attract more advertisers to our platform with increased user traffic and engagement, or offer more variety in terms of advertisement products to encourage more spending from advertisers. We cannot assure you that we will be able to retain existing advertisers or attract new ones. If we fail to retain and enhance our relationships with advertisers or expand the base of our advertisers, the growth of our online marketing services may be slowed and our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, our online marketing services revenue is affected by changes in the online marketing services industry in China and in particular, the evolution of short video and live streaming social platforms, as well as advertisers' budget allocation to online marketing and promotion. If the size of the Chinese online advertising market does not increase, or if we are unable to capture and retain a sufficient share of that market, our ability to maintain or increase our online marketing services revenue and our profitability and prospects could be adversely affected.

Our other monetization strategies, including e-commerce, may not remain effective or continue to grow and we cannot guarantee that we will be able to successfully develop new monetization channels and generate sustainable growth.

Besides our live streaming business and online marketing services, we also generate revenue from e-commerce, online games and online knowledge-sharing. It is crucial to balance, on the one hand, creating sufficient monetization opportunities, which enhances the revenues of our platform, and, on the other hand, maintaining an enjoyable platform, which helps to maintain a sizable user base, high user engagement and associated network effects. However, implementation of these monetization strategies are often associated with risks that are beyond our control. For example, for our e-commerce operations, risks related to the reliability and integrity of the merchants and buyers on our platform and service quality of the logistics providers who partner with the

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merchants, are beyond our control and may adversely affect the reputation and brand value of our online marketplace. Constant changes in the overall online games industry and uncertainties in relevant government regulations are also beyond our control and may adversely affect our online games operations. As such, we cannot guarantee that all of our other monetization strategies will remain effective in the future, or that our future monetization strategies will be successfully implemented or generate sustainable revenues or profit.

We monitor market developments and may adjust our monetization strategies accordingly from time to time, which may result in changes in our revenue mix. In addition, we may in the future introduce new services to diversify our revenue streams, including services that we have little or no prior development or operating experience in. If these new products or services fail to engage customers or our business partners, we may fail to generate sufficient revenues to justify our investments, and our business and operating results may suffer as a result. There is no guarantee that the multiple monetization opportunities we pursue will materialize.

User misconduct and inappropriate content may adversely impact our brand image, business and results of operations, and we may be held liable for information or content displayed on, retrieved from or linked to our platform or website or distributed to our users.

Our short video and live streaming platform enables users to present and exchange information, interact with others and engage in various other online activities, many of which are conducted in real time. As it is difficult to control user behavior in real time, our platform may be misused by individuals or groups of individuals who engage in, among other things, immoral, inappropriate, disrespectful, fraudulent or illegal activities. While we have developed technologies and a series of measures to detect inappropriate content and activities, we cannot guarantee that we will be able to fully prevent inappropriate content from being posted on our platform or inappropriate activities from being carried out on our platform. Moreover, as we have limited control over the offline behavior of our users, to the extent that such behavior is associated with our platform, our ability to protect our brand image and reputation may be limited. Our business and the public perception of our brand may be materially and adversely affected by misconduct conducted on or linked to our platform. It is possible that our users may engage in conversations or activities on our platform that may be deemed illegal under PRC laws and regulations. For example, in November 2020, we discovered that several streamers on our platform had engaged in false or misleading promotions of certain goods sold on third-party e-commerce platforms. We may be subject to fines or other disciplinary actions, including suspension of certain services, if we are deemed to not have taken actions to stop user misconduct or the display of inappropriate or illegal content posted by third parties on our platform or distributed to our users. If any of our users suffers or alleges to have suffered physical, financial or emotional harm arising from any contact initiated on our platform, we may face civil lawsuits or other proceedings initiated by the affected user, or governmental or regulatory actions. Defending such actions could be costly and involve

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significant time and attention of our management and other resources, which could materially and adversely affect our business, financial condition, results of operations and prospects. There can be no assurance that we can detect all illegal or inappropriate content displayed on, retrieved from or linked to our platform or website. If we are held liable for any of the aforementioned incidents in the future, our business, financial condition and results of operations may be materially and adversely affected.

Moreover, the PRC government and regulatory authorities have adopted regulations governing content contained within videos, games and other 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. These laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases whether certain content is prohibited. Failure to identify and prevent illegal or inappropriate content from being uploaded or streamed on our platform may subject us to liability. In 2018, our platform, along with several other content platforms in China, was required to suspend certain functions of our platform for a short period under the direction of PRC regulatory authorities to remove inappropriate content which impaired the public interest. If we fail to comply with PRC laws and regulations, we may face fines or other penalties or may lose licenses we need to operate our business and suffer reputational harm, which may materially and adversely affect our business, financial condition, results of operations and prospects.

In addition to licensed content provided by copyright owners, we allow our users to upload and stream content on our platform, which may be particularly challenging to monitor for compliance with the relevant intellectual property laws. There can be no assurance that we can timely identify or remove all the content that may violate relevant laws and regulations or may otherwise harm our reputation or brand image, due to the large amount of content uploaded and streamed by our users every day. For example, during the Track Record Period, one of our international apps was temporarily removed from certain app stores as a result of allegations from third parties that certain users were alleged to have uploaded plagiarized content in violation of our terms of services.

While we have enforced and continue to enforce a copyright protection and takedown policy consistent with standard industry practice in each of the jurisdictions in which our apps are distributed, we cannot guarantee that we will be able to effectively prevent inappropriate or illegal content from being posted on our platform, and that any of our apps will not be removed from app stores in the future or be subject to other disciplinary actions as a result.

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Given that the internet business is highly regulated in China, intensified government regulation of the short video, live streaming and e-commerce industries in China could also restrict our ability to maintain or increase our user base or the user traffic to our platform, which will materially and negatively impact our business operations and financial results. Our failure to obtain and maintain requisite approvals, licenses or permits applicable to our business or any changes in government policies or regulations, could harm our business.

The PRC government has, in recent years, intensified its regulation of various aspects of the short video and live streaming industries in China. The State Council, the MIIT, the MCT, the CAC and NRTA, have the authority to issue and implement regulations governing various aspects of our business. Our PRC operating entities are required to obtain and maintain applicable licenses or approvals from relevant regulatory authorities in order to provide their current services. For example, we are required to obtain an Audio-Visual Permit issued by the NRTA or complete certain registration procedures with the SARFT for providing internet audio-visual program services, the ICP License for engaging in any commercial internet information services and the ICB License for conducting internet cultural businesses. In addition, governmental authorities are likely to continue to issue new laws, rules and regulations governing these industries, enhance enforcement of existing laws, rules and regulations, and require new and additional approvals, licenses and permits. For detailed discussion of certain licenses and permits relevant to our business, see “Business — Licenses and Regulatory Approvals — Licenses, Permits and Approvals” and the relevant discussion in “Regulatory Overview.” Failure to comply with these regulations may result in fines and other penalties for us, including without limitation, shutting down of our operations and revocation of licenses. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition, results of operations and prospects. As we further develop our capabilities and enhance our product functions, we may be required to obtain additional qualifications, permits, approvals or licenses. For specific services offered online, we and the content providers may also be subject to additional qualifications, permits, approvals or licenses requirements.

The e-commerce industry, and retail e-commerce in particular, are highly regulated by the PRC governmental authorities. We are required to obtain various licenses and permits from different regulatory authorities in order to distribute certain categories of products on our mobile apps. We strive to obtain all the applicable licenses and permits, but due to the large number of products sold on our mobile apps, we may not always be able to do so and we may be penalized by governmental authorities for selling products without proper licenses. As we increase our product and service offerings, we may also become subject to new or existing laws and regulations that did not apply to us before. In August 2018, the Standing Committee of the National People’s Congress (the “SCNPC”) promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) (the “**E-Commerce Law**”), which imposes a number of new requirements and obligations on e-commerce platform operators. Pursuant to the relevant PRC laws and regulations, internet

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platforms including e-commerce platforms, content platforms and social platforms shall operate legally and fulfill relevant obligations in terms of protection of consumers' rights and interests, intellectual property rights as well as cybersecurity and personal information. We have adopted a series of measures to comply with the requirements under the E-Commerce Law. We cannot assure you, however, that our current business operations meet the requirements under the E-Commerce Law in all respects. If the PRC governmental authorities determine that we are not in compliance with all the requirements under the E-Commerce Law and other applicable laws and rules, we may be subject to fines and/or other sanctions. If we are unable to maintain and renew one or more of our licenses and certificates after their current term expires, or obtain such renewals on commercially reasonable terms, our operations could be disrupted. If the PRC government requires additional licenses or permits or provides further enhanced supervision requirements in the future in order for us to conduct our businesses, there is no guarantee that we would be able to obtain such licenses or permits or meet all the supervision requirements in a timely manner, or at all.

In November 2020, the SAMR issued its “Guidelines for Antitrust in the Field of Platform Economy (Draft for Comment)” (關於平台經濟領域的反壟斷指南(徵求意見稿)), which provide guidance on competition and compliance for companies operating in the Internet-related economy. The SAMR is currently soliciting comments for the proposed guidelines, and the relevant regulatory rules are in the process of being formulated. While we do not expect that the guidelines will have a material impact on our business, any final regulations promulgated by the SAMR may increase our compliance burden in our already highly-regulated industry, and it is currently uncertain whether any final regulations promulgated by the SAMR will have an adverse impact on our business and results of operations.

On November 12, 2020, the NRTA issued its Circular on Strengthening the Administration of 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) (“**Notice 78**”), which sets forth registration requirements for platforms providing online show live streaming or e-commerce live streaming to have their information and business operations registered by November 30, 2020. Notice 78 also set forth requirements for certain live streaming businesses with respect to real-name registration, limits on user spending on virtual gifting, restrictions on minors on virtual gifting, live stream review personnel requirements, content tagging requirements, and other requirements. For example, Notice 78 requires live streaming platforms to set a limit to the amount of virtual gifts a user can send per day and per month, as well as the amount that can be gifted at any one time. As advised by our PRC Legal Advisor, there is currently no clear guidance as to what limits on virtual gifting spending will be imposed by the NRTA pursuant to Notice 78 and it is unclear how and to what degree any such limits would be imposed on different platforms. Given there is no clear guidance from the regulatory authorities on how to set the cap on virtual gifting spending, we have not set such cap on our platform and we are currently not able to assess the impact this requirement under Notice 78 will have on the virtual gifting activity on our platform. During the Track Record Period, we

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generated a majority of our revenues from our live streaming business. Any such limits ultimately imposed may negatively impact our revenues derived from virtual gifting and our results of operations. During the Track Record Period, our top 50 users in terms of virtual gifting contributed less than 5% of our total gross billings from virtual gifting. For more information on Notice 78, see “Regulatory Overview — Regulations Relating to Online Live Streaming Services.” Since Notice 78 was only issued in November 2020 and some of the requirements in Notice 78 contain ambiguities, we are still in the process of getting further guidance from regulatory authorities and evaluating the applicability and effect of the various requirements under Notice 78 on our business. Any further rulemaking under Notice 78 or other intensified regulation with respect to live streaming may increase our compliance burden in the live streaming business, and may have an adverse impact on our business and results of operations.

As the short video, live streaming and e-commerce sectors in China are still evolving rapidly, new laws and regulations may be adopted from time to time to address new issues that come to the regulatory authorities’ attention and additional licenses and permits other than those we currently have may be required. In the interpretation and implementation of existing and future laws and regulations governing our business activities, considerable uncertainties still exist. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities’ interpretation of these laws and regulations. As there remains uncertainty in the interpretation and implementation of the relevant laws and regulations such as the ones outlined above, our users may be discouraged from using our platform, and our business operations may be materially and adversely affected.

We may be subject to intellectual property infringement claims or other allegations by third parties for information or content displayed on, retrieved from or linked to, our platform, or distributed to our users, or for proprietary information appropriated by former employees, which could be time-consuming and costly and may result in the removal of relevant content from our platform.

We have been and may in the future be subject to intellectual property infringement claims or other allegations by third parties for services we provide or for information or content displayed on, retrieved from or linked to, recorded, stored or made accessible on, our platform, or otherwise distributed to our users, including in connection with the music, images, videos and games played, recorded, stored or made accessible on our platform, which may materially and adversely affect our business, financial condition, results of operations, prospects and reputation. We have entered into agreements with multiple music copyright owners and operators in China, which allow us to legally use their music content on our platform. There is no guarantee that we will enter into license agreements on terms that are satisfactory to us. Even when we are able to enter into license agreements, we cannot guarantee that such agreements will continue to be renewed timely or indefinitely. Additionally, under our agreements with content creators, we have the rights to use the intellectual properties produced by them during their live streams and in their short videos on

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our platform. We allow users to upload text, graphics, audio, videos and other content to our platform and users to access, download and share content on our platform. Despite our standard procedures, including licensing, monitoring and uploading procedures, from time to time, we may still be involved in infringement disputes with third parties. We have also implemented technological measures to respond to incidents or users' complaints regarding intellectual property infringements on our platform, such as infringements on patents and copyrights, held by third parties. However, we cannot fully eliminate the risk that unauthorized content remains on our platform for a period of time.

Companies in the internet, technology and media industries are, from time to time, involved in disputes or litigations based on allegations of infringement of intellectual property rights and invasion of privacy. In China, the laws and regulations in relation to the validity, enforceability and scope of protection of intellectual property rights in internet-related industries, especially for short video and live streaming-based social platforms, are evolving and involve uncertainties. We face, from time to time, and expect to face in the future, allegations that we have featured pirated or illegally downloaded music, images, and videos on our platform, and that we have infringed upon, or our users have infringed upon, the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. Some of the games content, whether in the form of short videos or live streaming, on our platform may be alleged to infringe on copyrights of game producers, which may also constitute the basis of an unfair competition claim. As we face increasing competition from other internet companies in China, there may be a higher risk for us to be subject to intellectual property infringement claims or other legal proceedings. For example, during the Track Record Period, certain third parties have initiated or threatened us with lawsuits alleging copyright infringement claims. While we intend to defend these lawsuits vigorously and believe that we have valid defenses to these claims, there can be no assurance that a favorable outcome will be obtained. During the Track Record Period, the total liability we have incurred as a result of these lawsuits was immaterial.

If our content creators play music using their own devices in their short videos or during live streams, such use of music would not be covered under the agreements we have entered into with these music platforms. Under relevant PRC laws and regulations, internet information online service providers which provide storage space for users to upload works or links to content provided by third parties, could be held liable for copyright infringement under various circumstances, including situations where such service provider knows or should reasonably have known that the relevant content uploaded or linked to on its platform infringes upon the copyright of others and such service provider fails to take necessary actions to prevent such infringement. We have implemented procedures to reduce the likelihood that content might be used without proper licenses or third-party consents and to ensure prompt responses and actions to notices from copyright holders requesting removal of infringing content. However, these procedures may not be effective in preventing the unauthorized posting or distribution of copyrighted content and we may be deemed to have failed to take necessary actions against such infringement. Therefore, we may face liability for copyright or trademark infringement, defamation, unfair competition, libel, negligence, and other claims based on the nature and content of the materials that are delivered,

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shared or otherwise accessed through our platform. In particular, from time to time we may face allegations of unauthorized use of music on our platform due to the large amount of videos that are uploaded to our platform, many of which include music. While we have internal control procedures to ensure compliance with the relevant copyright laws and to enforce a copyright protection and takedown policy that complies with applicable laws, we may still be subject to allegations of copyright violations, whether or not such allegations are legitimate.

Additionally, some of our employees were previously employed at other companies, including our current and potential competitors. To the extent that these employees were involved in the development of content or technology similar to ours at their former employers, we may become subject to claims that we or such employees have appropriated proprietary information or intellectual property of the former employers of our employees. If we fail to successfully defend such claims, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may incur additional costs in monitoring and detecting content infringement. Further, defending claims is costly and can impose a significant burden on us, and there can be no assurance that favorable final outcomes will be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation and force us to remove relevant content from our platform and enter into licensing agreements, which may not be available on commercially reasonable terms or at all. Any resulting liability or expenses, or changes to our platform required to reduce the risk of future liability, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Concerns about collection and use of users' personal data and other privacy-related and data security matters could damage our reputation and deter current and potential users from using our products and services.

Concerns about collection, use or disclosure of personal information or other privacy-related and data security matters, even if unfounded, could damage our reputation and business operations. The PRC Constitution, the PRC Criminal Law, the General Principles of the PRC Civil Law and the PRC Cyber Security Law protect individual privacy and personal data security in general by requiring the consent of internet users prior to the collection, use or disclosure of their personal data. In particular, the Ninth Amendment to the Criminal Law of the PRC prohibits the selling or otherwise illegally disclosing a citizen's personal information, and if such information is obtained during the course of performing duties or providing services, additional penalties could be imposed. We strictly protect information provided by users and, under our privacy policy, we will not provide any of our users' personal information to any unrelated third party without our users' prior consent. While we strive to comply with our data and privacy policies as well as all applicable data protection laws and regulations in the PRC and overseas, we may not be able to successfully protect our users' privacy and data for reasons beyond our control. Any failure or perceived failure to do so may result in proceedings or actions against us by government entities, users or others, which could damage our reputation. A loss of confidence in us by our users and business partners could adversely affect our business, financial condition, results of operations and

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prospects. In addition, user and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is used or shared with advertisers or others may adversely affect our ability to use data to accurately direct advertisements to target audience, as we presently do with our users' consent, which may limit certain methods of targeted advertising. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to a lower number of registered, active or paying users on our platform.

We have operations in China and certain overseas regions and are subject to the laws and regulations in China and such overseas regions. Our business may also be adversely impacted by actions taken by governments in China and overseas in response to alleged data privacy and data security threats. Such government actions and future unfavorable restrictions on the operations of Chinese video content, social media or technology companies may limit our opportunities to expand into overseas markets and materially and adversely affect our business.

The markets in which we operate are highly competitive, and we face significant competition from internet companies that operate content-based social platforms, online marketing businesses and e-commerce platforms in China. If we fail to compete effectively, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We face intense competition from other internet companies in China in several major aspects of our business, particularly in live streaming, online marketing services, e-commerce and other sectors. Some of our competitors may have longer operating histories and greater financial, technical and marketing resources than we do or have an advantage in attracting and retaining users and business partners. In addition, our competitors may have larger user bases or more established brand names than we do and therefore would be able to more effectively leverage their user bases and brand names to provide live streaming, online marketing services, e-commerce and other products and services. Furthermore, industry consolidation through mergers and acquisitions may arise from time to time as platforms seek to grow their users, business scale and capabilities in different content formats, which may give rise to greater competition.

In connection with our live streaming business, we compete for user time spent as well as for quality content. As viewers are unlikely to view live streams on two different platforms simultaneously, and given that many streamers may enter into exclusive contracts with certain platforms, competition for user traffic and streamers is intense and our competitors may poach successful streamers from our platform. We believe diversity and quality of content play a key role in capturing user attention and time spent, which indirectly affects the revenue generated from virtual gifting during live streams.

In connection with online marketing services, our ability to effectively compete for advertising customers depends on the size of our user base and user engagement, diversity of content, effectiveness of ad targeting, as well as quality and innovation in marketing solutions offered. We compete with various types of internet companies that provide online marketing

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services, including traditional social media companies, short video or live streaming platforms, and other content-based platforms. If we are unable to offer effective online marketing solutions, we may lose key advertising customers to other internet companies and revenue from our online marketing services may be negatively impacted.

We also compete in the highly-competitive e-commerce industry primarily for customers, orders, products and third-party merchants. Some of our current or future competitors in the e-commerce industry may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases, higher penetration in certain regions or greater financial, technical or marketing resources than we do. Some of our e-commerce competitors may also be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing and devote more resources to their websites, mobile apps and systems development than we do. Increased competition in the e-commerce industry may negatively impact our e-commerce monetization strategy and financial results.

Finally, we compete in connection with various other monetization opportunities that we currently pursue or may pursue in the future, which generally depend on our ability to attract and retain users and business partners onto our ecosystem. If we are unable to compete effectively, our ability to successfully monetize our platform may be materially affected. We may have to spend additional resources in order to compete effectively, which may adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn may lead to loss of users and business partners. Any legal proceedings or measures we take in response to competition and disputes with our competitors may be expensive, time-consuming and disruptive to our operations and may divert our management's attention from our business operations.

We may experience negative publicity involving us, our users, our content, our platform, our management, our business model or our industry in general.

Negative publicity involving us, our users, our content, our platform, our management, our business model or our industry in general may materially and adversely harm our brand and our business. We cannot assure you that we will be able to effectively manage negative publicity about us, our management and/or our services to the satisfaction of our investors, users, customers and business partners. During the Track Record Period, there have been negative news in relation to us as well as our users and content on our platform. The dissemination of these news to the public has had an adverse effect on and may continue to adversely affect our reputation or brand image, which could negatively impact our business, results of operations and growth prospects. We may have to incur significant expenses in order to remedy the effects of these negative reports, which may materially and adversely affect our results of operations.

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We may be subject to allegations, harassment or other detrimental conduct by third parties, which could harm our reputation and cause us to lose market share, users and customers.

We may be subject to allegations by third parties or purported former employees, negative internet postings and other adverse public exposure relating to our business, operations and staff compensation. We may also become the target of harassment or other detrimental conduct by third parties or disgruntled former or current employees. Such conduct may include complaints, anonymous or otherwise, to regulatory agencies, media or other organizations. We may be subject to government or regulatory investigations or other proceedings as a result of such third-party conduct and may be required to spend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, if at all. Additionally, direct or indirect allegations against us may be posted on the internet, including social media platforms, by anyone on an anonymous basis, regardless of whether they are related to us. Any negative publicity relating to us or our management can be quickly and widely disseminated. Social media platforms immediately publish the content to their users, often without filters or checks on the accuracy of the content. Information posted may be inaccurate and adverse to us, and it may harm our reputation, business operations and/or prospects. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of negative and potentially false information about our business, operations and management, which in turn may cause us to lose market share, users or customers.

Our business depends substantially on our ability to attract, train and retain qualified personnel, as well as the continuing efforts of our management and other key personnel that support our existing operations and future growth. If we lose their services, our operations and growth prospects may be materially and adversely affected.

Our future success heavily depends upon the continuing services of our management and other key personnel. In particular, we rely on the expertise, experience and vision of our co-founders, Mr. Su Hua and Mr. Cheng Yixiao, who have served as our executive Directors since the Company's inception, as well as other members of our senior management team. We also rely on the technical know-how and skills of other key personnel. If any of our senior management or key personnel becomes unavailable to continue to contribute their services to us, we may not be able to replace them easily or at all. As a result, our business may be severely disrupted, our business, financial condition, results of operations and prospects may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain key personnel.

Our existing operations and future growth require a sizeable and competent workforce. Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly management, technical and marketing personnel with expertise in the internet industry. However, our industry is characterized by high demand and intense competition for talent. In order to attract and retain talent, we may need to offer higher compensation, better training and more attractive career opportunities and other benefits to our employees, which may be costly. We cannot assure you that we will be able to attract or retain a qualified workforce

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necessary to support our future growth. We may also fail to manage our relationship with our employees, and any disputes between us and our employees, or any labor-related regulatory or legal proceedings may divert management attention and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, as our business has grown rapidly, our ability to train and integrate new employees into our operations may not meet the increasing demands of our business. Any of the above issues related to our workforce may materially and adversely affect our operations and future growth.

Moreover, if any of our management or key personnel joins a competitor or forms a competing company that compete against ours, we may lose know-how, trade secrets, key employees and business partners, user base and market share. While each of our executive officers and key employees has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us, such non-competition provisions may not be enforceable under certain circumstances.

We cooperate with various MCNs to manage our content creators. If we are not able to maintain our relationship with MCNs, our operations may be materially and adversely affected.

We cooperate with MCNs to manage and organize certain content creators on our platform. As we are an open platform that welcomes all content creators to our platform, cooperation with MCNs increases our operational efficiency by discovering, supporting, managing and developing content creators in a more organized and structured manner. We pay some of our content creators or their MCNs fees based on a percentage of the total value of virtual items gifted to the content creators during their live streams. If we cannot balance the interests among us, the content creators and their MCNs and maintain a holistic system that is satisfactory to us and the content creators, we may not be able to retain or attract content creators or MCNs, or both.

In addition, certain MCNs do not have exclusive cooperation relationships with us. If other platforms offer better incentives to such MCNs, the MCNs may choose to devote more of their resources to streamers who stream on those other platforms, or they may encourage their content creators to use or even enter into an exclusive agreement with those other platforms, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

Contractual disputes with our business partners and content creators may harm our reputation and subject us to contractual liabilities, and may be costly or time-consuming to resolve.

We enter into contracts with certain content creators and business partners including advertisers, merchants and game developers. Although during the Track Record Period we have not had any material contractual disputes with our business partners or content creators, we cannot guarantee that there will not be any such disputes in the future. Any such disputes may not only be costly and time-consuming to resolve, but may also be detrimental to the quality of the content

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produced by our content creators or products and services provided by us or our business partners, cause our business partners or content creators to leave our platform, decrease user engagement on our platform or otherwise adversely affect our business, financial condition, results of operations and prospects.

We partially rely on a third party to conduct real name certification for our users, in particular, to protect users who are minors. However, we cannot guarantee the effectiveness of such process.

To use our products, a user must complete real name certification processes, which may involve certifications conducted by a third party that we work with. We rely on the real name certification results to identify users on our platform that are minors and to protect their rights and interests. However, regardless of the relevant efforts we have made, as we have limited access to the user's information if he or she completes the real name certification through the third party, we cannot guarantee the effectiveness of such real name certification. If there are incidents of ineffective real name certification that result in our failures to identify and properly protect minors, we may be ordered to rectify such incidents, and if we fail to make such rectifications, we may be subject to penalties imposed by competent regulatory authorities. We also rely on real name certification results to pay revenue sharing to certain streamers on our platform and to withhold and remit related taxes for them. Ineffective real name certification incidents may cause us to make payments or withhold taxes by mistake, which may adversely affect our relationships with streamers and our compliance with the relevant PRC laws and regulations. We may also incur additional costs in order to remediate such mistakes, which may adversely affect our financial condition. Therefore, any ineffectiveness in the real name certification processes for our users may have an adverse effect on our business, financial condition and results of operations.

We rely on certain key operating metrics to evaluate the performance of our business, and perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We rely on certain key operating metrics, such as DAUs, MAUs and other user engagement metrics, to evaluate the performance of our business. We calculate these operating metrics using our internal data that have not been independently verified by third parties. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in calculation methodology and assumptions. If the operating metrics we use are perceived to be inaccurate by others, our reputation may be harmed and our evaluation methods and results may be impaired, which could negatively affect our business.

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We use third-party online payment platforms to process user payments on our platform. Any failures by these platforms to process payments effectively and securely may have material and adverse effects on our business.

We depend on the billing and payment systems of third-party online payment platforms such as Weixin Pay, Alipay and Apple Pay to maintain accurate records of payments of sales proceeds by paying users and collect such payments. We receive periodic statements from these payment platforms which indicate the aggregate amount of fees that were charged to our users. Our business and results of operations could be adversely affected if these payment platforms fail to accurately account for or calculate the revenues generated from the payments made to us by our users. If there are security breaches or failure or errors in the payment process of these platforms, user experience may be adversely affected and our results of operations may be negatively impacted. We do not have control over the security measures of our third-party online payment vendors, 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, which could, among other things, damage our reputation and the perceived security of all the online payment systems we use. If a well-publicized internet or mobile network security breach were to occur, users concerned about the security of their online financial transactions may become reluctant to virtually gift and purchase on our platform even if the publicized breach did not involve payment systems or methods used by us. In addition, billing software errors could damage customer confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, we may lose paying users and users may be discouraged from virtually gifting or purchasing on our platform which may have an adverse effect on our business.

Further, our third-party online payment vendors may from time to time experience cash flow difficulties. Consequently, they may delay their payments to us or fail to pay us at all. Failure to timely collect our receivables from these payment platforms may adversely affect our cash flows.

Moreover, if any of the payment platforms we use decides to significantly increase the percentage they charge us for using their systems for processing the payments made on our platform, our results of operations may be materially and adversely affected. Disputes with third-party online payment platforms, such as disputes relating to intellectual property rights, distribution fee arrangements and billing issues, may also arise from time to time and we cannot assure you that we will be able to resolve such disputes in a timely manner or at all.

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 committed by our employees, agents, contractors, or business partners who violate the laws or regulations of the jurisdictions in which we operate, and this may adversely affect our business. In addition, our business partners or other third parties involved in our business through our business partners may be subject to regulatory penalties as a result of their regulatory compliance failures, which may,

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directly or indirectly, disrupt our business. Although we conduct reviews of legal formalities and certifications before entering into contractual relationship with third party businesses, and take measures to mitigate risks that we may be exposed to in case of any regulatory non-compliance by third parties, we cannot be certain whether such third parties have infringed or will infringe upon any other third parties' legal rights or have violated or will violate any regulatory requirements or rule out the likelihood of our incurring any liabilities due to any regulatory compliance failures by such third parties. We may not identify irregularities or instances of non-compliance in the business practices of third parties with whom we pursue existing or future cooperation and we cannot assure you that any such irregularities will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions that may be imposed as a result of the actions of our business partners or other third parties involved in our business may adversely affect our business activities and reputation and in turn, our results of operations.

Major mobile application distribution channels may interpret or change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us.

We rely on third-party mobile application distribution channels to distribute our mobile applications to users. We expect a substantial number of downloads of our mobile applications will continue to be derived from these distribution channels. As a result, the promotion, distribution and operation of our applications are subject to such distribution platforms' standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes made by, these distribution channels.

Mobile application distribution channels typically have strong bargaining power. Their terms and policies for application developers, which may be impacted by potential geopolitics, favor themselves in general, and they have broad discretion in interpreting their terms and policies, and in dealing with deemed instances of non-compliance or violations by application developers. If any major distribution channel interprets or changes its standard terms and conditions in a manner that is detrimental to us, or terminates its relationship with us, we may not be able to find a replacement in a timely manner or at all and the distribution of our platform may be adversely affected. In addition, changes to the credit period or the settlement cycle of these distribution channels may materially and adversely affect our cash flow. Disputes with distribution channels, such as disputes relating to intellectual property rights, distribution fee arrangements and billing issues, may also arise from time to time and we cannot assure you that we will be able to resolve such disputes in a timely manner or at all. Any failure on our part to maintain good relationships with a sufficient number of popular platforms for the distribution of our platform could cause the number of our platform downloads and activations to decrease, which will have a material and adverse effect on our business, financial condition, results of operations and prospects.

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Our patents may expire and may not be extended, our patent applications may not be granted and our patent rights may be contested, circumvented, invalidated or limited in scope. As a result, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing and deploying competing technologies, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

In China, invention patent rights are valid for twenty years, and utility model patent rights and design patent rights are valid for ten years, all of which cannot be extended. However, although design patent rights are currently valid for ten years, according to amendments to the PRC Patent Law which were published on October 17, 2020, design patent rights will be valid for 15 years, effective from June 1, 2021. As of the Latest Practicable Date, we have registered 1,178 patents and had 3,162 pending patent applications in China. We cannot assure you pending applications will be granted patents. Even if our patent applications succeed, it remains uncertain whether such patents will be contested, circumvented or invalidated in the future. In addition, the rights granted under any issued patents may not provide us with sufficient protection or competitive advantages. The claims under any patents that are issued may not be broad enough to prevent others from developing technologies that are similar to, or achieve results similar to, ours. It is also possible that the intellectual property rights of others will bar us from licensing and exploiting any patents that would have been issued from our pending applications. Numerous foreign-issued patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. These patents and patent applications may have priority over our patent applications and could subject our patent applications to invalidation. Finally, third parties may challenge the validity or enforceability of our existing or pending patents.

Unauthorized use of our intellectual property, unfair competition, defamation or other violations of our rights by our users, employees and/or third parties may harm our brand and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business.

We regard our patents, copyrights, trademarks and other intellectual property as critical to our success, and rely on a combination of patent, trademark and copyright laws, trade secrets protection, restrictions on disclosure and other agreements that restrict the use of our intellectual property to protect these rights. Although our contracts with users typically prohibit the unauthorized use of our brands, images, characters and other intellectual property rights, we cannot assure you that users will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Although we enter into confidentiality agreements and intellectual property ownership agreements with our employees, these confidentiality agreements could be breached, and our proprietary technology, know-how or other intellectual property could otherwise become known to third parties. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert

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any trade secret rights against such parties. Further, others may engage in conduct that constitutes unfair competition, defamation or other violations of our rights, which could harm our business, reputation and competitive position.

While we actively take steps to protect our proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of our intellectual property. In addition, we cannot assure you that any of our trademark applications will ultimately proceed to registration or will result in registration with adequate scope for our business. Some of our pending applications or registrations may be successfully challenged or invalidated by others. If our trademark applications are not successful, we may have to use different marks for affected products or services, or seek to enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all.

We face regulatory uncertainties and practical difficulties in enforcing our intellectual property rights. Policing unauthorized use of all of our proprietary technology, trademarks and other intellectual properties in real time is difficult and expensive, and litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs, diversion of our resources and could disrupt our business, as well as materially and adversely affect our business, financial condition, results of operations and prospects.

Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites and third-party misappropriation of our data and copying of our platform could cause confusion for our users, divert users from our products and services, and/or harm our reputation and brand image.

Competitors and other third parties may register trademarks or purchase internet search engine keywords or domain names that are similar to ours in order to divert potential users from our platform to theirs. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may continue to drive potential online customers away from our platform to competing, irrelevant or potentially offensive platforms, which could harm our reputation and cause us to lose revenues.

From time to time, third parties have misappropriated our data through scraping our platform, or other means and aggregated this data on their platforms with data from other companies. In addition, “copycat” platforms or apps may misappropriate data on our platform and attempt to imitate our brand or the functionality of our platform. Whenever we become aware of such platforms, we employed technological and legal measures in an attempt to halt their operations. However, we may not be able to detect all such actions in a timely manner and, even if we could, technological and legal measures may be insufficient to stop their operations. In those cases, our available remedies may not be adequate to protect us against such platforms. Regardless of whether we can successfully enforce our rights against these platforms, any measures that we may

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take could require significant financial or other resources from us. Those platforms may also lure away some of our users or advertisers or reduce our market share, causing material and adverse effects to our business, financial condition, results of operations and prospects.

Advertisements shown on our platform may subject us to penalties and other administrative actions. Our certain other online marketing services may be deemed as online advertising services as well and may subject us to online advertisement laws and regulations.

We derive an increasing portion of our revenues from online marketing services we provide on our platform. PRC advertising laws and regulations require advertisers, advertising operators and advertising distributors to ensure that the content of the advertisements they prepare or distribute is fair and accurate and is in full compliance with the relevant laws and regulations. In addition, for advertising content related to specific types of products and services such as pharmaceuticals and medical instruments, advertisers, advertising operators and advertising distributors must confirm that the advertisers have obtained the requisite government approvals, including the advertiser's operating qualifications, proof of quality inspection of the advertised products and services, and, with respect to certain industries, government approvals of the content of the advertisement and filings with the local authorities. Pursuant to the relevant PRC advertising laws and regulations, we are required to take steps to monitor the content of advertisements displayed on our platform. Complying with the relevant laws and regulations requires considerable resources and time, and could significantly affect our business operations. While we have made significant efforts to ensure that the advertisements shown on our platform are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements or offers therein are true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of such laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish corrective information. In circumstances involving serious violations, the PRC governmental authorities may force us to terminate our online marketing services operations or revoke our licenses. If we become subject to any of the above penalties, our reputation may be harmed and our business, financial condition, results of operations and prospects may be materially and adversely affected.

In addition, pursuant to the Interim Measures on Internet Advertisement (《互聯網廣告管理暫行辦法》) (the “**Internet Advertisement Measures**”), certain of our other online marketing services may be deemed to constitute internet advertisement. See “Regulatory Overview — Regulations on Internet Advertisement.” Any further change in the classification of advertising-related services by the relevant regulatory authorities may also significantly disrupt our operations and materially and adversely affect our business and prospects.

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The determination of the fair value changes, such as fair value change of our convertible redeemable preferred shares, among other things, and impairment of certain of our assets requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty.

We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate, expected rate of return and discount rate, in valuing certain of our assets and liabilities, including convertible redeemable preferred shares, financial assets at fair value through profit or loss and short-term investments. The fair value change of convertible redeemable preferred shares, financial assets at fair value through profit or loss and short-term investments may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. For instance, we had fair value changes on convertible redeemable preferred shares of RMB20.5 billion, RMB11.9 billion, RMB19.9 billion and RMB89.2 billion in 2017, 2018 and 2019 and nine months ended September 30, 2020, respectively. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong.

We face risks associated with our investments.

We currently invest a portion of our capital in investments. As of September 30, 2020, our investments mainly consisted of financial assets at fair value through profit or loss including listed equity securities, unlisted equity securities and wealth management products. These investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results.

We had aggregated net fair value gains on financial assets at fair value through profit or loss, including wealth management products and investments in listed and unlisted entities, of RMB49.7 million, RMB133.5 million and RMB465.7 million for the years ended December 31, 2017 and 2018 and for the nine months ended September 30, 2020, respectively. We had net fair value losses on financial assets at fair value through profit or loss of RMB14.0 million for the year ended December 31, 2019. Any change in securities prices and market conditions could lead to volatility in the fair values of our financial assets at fair value through profit or loss, which could further impact our financial condition and results of operations and may also impact our ability to dispose of these financial instruments at favorable prices.

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Acquisitions, investments or strategic alliances may fail and have a material and adverse effect on our business, reputation and results of operations.

From time to time, we may acquire or invest in businesses, assets or technologies that are complementary to our existing business. Future acquisitions and investments and the subsequent integration of new businesses and assets into our own would require significant attention from our management and could divert resources from our existing business, which in turn could have an adverse effect on business operations. Acquired businesses or assets may not generate the financial or operating results we expect. In addition, acquisitions and investments could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the incurrence of debt, the incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired businesses and investments. Moreover, the costs of identifying and consummating acquisitions or investments may be significant. In addition to potential Shareholder approval, we may also have to obtain approvals and licenses from governmental authorities in China and comply with applicable PRC laws and regulations, which could result in increased costs and delays.

The process of integrating with another company or integrating an acquired company, business, asset or technology may create unforeseen operating difficulties and expenditures. The areas where we face risks include:

- significant costs of identifying and consummating acquisitions;
- difficulties in integrating the management, technologies and employees of the acquired businesses;
- implementation or remediation of controls, procedures and policies at the acquired company;
- coordination of products and services, engineering and sales and marketing functions;
- retention of employees from the businesses we acquire;
- liability for activities of the acquired company before the acquisition;
- litigation or other claims in connection with the acquired company;
- in the case of overseas acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries; and
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities.

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Our failure to address these risks or other problems encountered in connection with our future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and expenses and harm our business generally. If we use our equity securities to pay for acquisitions or investments, we may dilute the value of our Shares. If we borrow funds to finance acquisitions or investments, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Such acquisitions and investments may also lead to significant amortization expenses related to intangible assets, impairment charges or write-offs.

We may also enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counter-party and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor such third parties' actions and to the extent that they suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all. Furthermore, our future capital needs may require us to sell additional equity or debt securities that may dilute our Shareholders or introduce covenants that may restrict our operations or our ability to pay dividends.

To grow our business and remain competitive, we may require additional capital from time to time. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital raising activities; and
- economic, political and other conditions in China and internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms or at all. In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our Shareholders.

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In addition, although we generated net operating cash inflows of RMB2.1 billion, RMB1.8 billion and RMB8.0 billion in 2017, 2018 and 2019, respectively, we had net operating cash outflows of RMB768.4 million in the nine months ended September 30, 2020, primarily due to our loss before income tax of RMB98.1 billion, adjusted by (i) the add-back of non-cash items primarily comprising fair value changes of convertible redeemable preferred shares of RMB89.2 billion, depreciation of property and equipment of RMB2.2 billion, depreciation of right-of-use assets of RMB1.2 billion and share-based compensation expenses of RMB977.1 million, and (ii) the changes in working capital primarily comprising an increase in accounts payables of RMB3.0 billion, an increase in advances from customers of RMB1.5 billion and an increase in other payables and accruals of RMB1.1 billion. For more details, see “Financial information — Liquidity and Capital Resources — Net Cash Generated from/(Used in) Operating Activities.” There can be no assurance that we will not experience net operating cash outflow in the future. If we fail to generate sufficient cash flow from our operations, or if we fail to maintain sufficient cash or obtain additional external financing, our liquidity position may be adversely affected. If we do not have sufficient cash flows to fund our business, operations and capital expenditure, our business and financial position will be materially and adversely affected.

If we are unable to honor our obligations with respect to advances from customers, our liquidity position and cash position may be adversely affected.

Our advances from customers, which we record as current liabilities, primarily comprise of (i) advances from live streaming customers and (ii) advances from online marketing services. Advances from live streaming customers are advances for purchase of virtual items before they are gifted, and advances from online marketing services customers are contractual liabilities in connection with the advanced cash receipt from customers for online marketing services.

Advances from live streaming customers would be utilized and recognized as revenue when the virtual items are consumed through gifting during live streams. Advances from online marketing services customers primarily relate to performance-based advertising and Kuaishou fans headline services, and are utilized and recognized as revenue when the Company renders services to the customers.

As of September 30, 2020, our advances from live streaming customers was RMB1.6 billion and advances from online marketing services customers was RMB1.4 billion. If we fail to honor our obligations with respect to a significant portion of the advances from customers, we may need to refund such advances to customers, and our liquidity position and cash position may be adversely affected.

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We recorded net current liabilities as of September 30, 2020 and net liabilities as of December 31, 2017, 2018 and 2019 and September 30, 2020 and we had net operating cash outflows in the nine months ended September 30, 2020.

Although we recorded net current assets of RMB3.1 billion, RMB6.7 billion and RMB1.9 billion as of December 31, 2017, 2018 and 2019, respectively, we recorded net current liabilities of RMB112.6 billion as of September 30, 2020 primarily due to the redemption rights of our convertible redeemable preferred shares. We also had net liabilities of RMB22.2 billion, RMB35.7 billion, RMB55.7 billion and RMB148.3 billion as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively, primarily due to the significant amounts of convertible redeemable preferred shares and accounts payable recorded as liabilities.

Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, after which we do not expect to recognize any further loss or gain on fair value changes from convertible redeemable preferred shares and will return to a net assets position from a net liabilities position. However, there can be no assurance that we will not experience liquidity problems in the future. In the nine months ended September 30, 2020, we had net operating cash outflows of RMB768.4 million. If we fail to generate sufficient cash flow from our operations, or if we fail to maintain sufficient cash and financing, our liquidity position may be adversely affected. If we do not have sufficient cash flows to fund our business, operations and capital expenditure, our business and financial position will be materially and adversely affected.

We do not currently have business interruption insurance and our limited insurance coverage could expose us to significant costs and business disruption. Any uninsured occurrence of business disruption, material litigation or natural disaster could expose us to significant costs, which could have an adverse effect on our results of operations.

While we believe our insurance practice is in line with industry standards, our insurance coverage is limited. For example, we do not maintain business interruption insurance or litigation insurance. Any uninsured occurrence of business disruption, material litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material and adverse effect on our results of operations. As the insurance industry in China is still evolving, there are currently limited offerings of business-related insurance products. As a result, we may not be able to insure against certain risks related to our assets or business. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or if the compensated amount is significantly less than our actual loss, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISK FACTORS

Our technology and infrastructure depend on the performance of the internet infrastructure and fixed telecommunications networks in China and may experience unexpected system failures, interruptions, inadequacies or security breaches. Our business and operating results may be harmed by service disruptions, or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.

Our technology and infrastructure depend on the performance and reliability of the internet and fixed telecommunications infrastructure in China. Access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We rely on this infrastructure to provide data communications primarily through local telecommunication lines and wireless telecommunication networks. In addition, the national networks in China are connected to the internet through international gateways. These international gateways are the only channels through which a domestic user can connect to the internet and may not sufficiently support the continually growing demand for internet usage. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platform. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China can support the demands associated with the continued growth in internet usage. If we cannot increase our capacity to deliver our online services, we may not be able to accommodate the increases in traffic we anticipate from our expanding user base and the adoption of our services may be hindered, which could adversely impact our business and profitability. In the event of disruptions, failures or other problems with internet infrastructure, we or our users may not have access to alternative networks on a timely basis, if at all. Additionally, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, some users may be prevented from accessing the mobile internet and thus cause the growth of mobile internet users to decelerate. Such deceleration may adversely affect our ability to continue expanding our user base.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our technologies and systems, such as malfunctions in software or network overload. Incidents of serious network overload may cause laggings for some of our users for a period of several hours each time, and may negatively affect our user experience. Our growing operations will place increasing pressure on our server and bandwidth capacities as we further expand our user base and develop more features and functions. We may encounter problems when upgrading our systems or services and there may be undetected programming errors, which could adversely affect the performance of our operating systems and user experience. Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes, power loss and telecommunication failures. Any network interruption or inadequacy that causes interruptions to our platform, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our user satisfaction, which in turn, could adversely affect our reputation, user base and our business, financial condition, results of operations and prospects.

RISK FACTORS

Any compromise to the cyber security of, and spam and other malicious messages on, our platform could materially and adversely affect our business, reputation and results of operations.

We may suffer from targeted and untargeted cyberattacks. While we have not suffered from any cyberattacks or data security breaches during the Track Record Period, any security breach of our platform caused by hackings, which involve efforts to gain unauthorized access to our information or systems, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, the intentional or inadvertent transmission of computer viruses and similar events or third-party actions, could have a material and adverse effect on our business, financial condition, results of operations and prospects.

On November 7, 2016, the SCNPC released the PRC Cyber Security Law, which took effect on June 1, 2017. The PRC Cyber Security Law requires network operators to fulfill certain obligations to safeguard security in the cyberspace and enhance network information management. Our products and services are generally provided through the internet and involve the storage and transmission of users' information. Any security breach would expose us to a risk of loss of information and potentially result in litigation and liability. As the techniques used to obtain unauthorized access, disable or degrade internet services or sabotage operating systems change frequently and often are not recognized until launched against a target, we may not be able to anticipate such techniques or implement adequate preventative measures. Despite the security measures we have implemented, our facilities, systems and procedures and those of our third-party providers, may be vulnerable to security breaches, act of vandalism, software viruses, misplaced or lost data, programming or human errors or other similar events which may disrupt our delivery of services or expose the confidential information of our users and others. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we may lose current and potential users and may be exposed to legal and financial risks, including legal claims, regulatory fines and penalties, which in turn could adversely affect our business, reputation and results of operations.

In addition, spammers may use our platform to send targeted and/or untargeted spam messages to other users, which may affect our user experience. As a result, our users may use our products and services less or stop using them altogether. In spamming activities, spammers typically create multiple user accounts for the purpose of sending spam messages. Although we attempt to identify and delete accounts created for spamming purposes, we may not be able to effectively eliminate all spam messages from our platform in a timely fashion. Any spamming activities could have a material and adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Undetected programming errors or flaws or failure to maintain effective operations could harm our reputation or decrease market acceptance of our products and services, which would materially and adversely affect our results of operations.

Our apps may contain programming errors that only become apparent after their release. We generally have been able to resolve such flaws and errors and optimize our apps. However, we cannot assure you that we can always detect and resolve all such programming errors effectively and timely. Undetected programming errors could adversely affect our operations, user experience and market acceptance. Any errors, bugs or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of users, loss of content providers, loss of revenues or liability for damages, any of which could adversely affect our business and operating results.

User growth and engagement depend upon effective interoperation with operating systems, networks and mobile devices and standards that we do not control. We may not be successful in maintaining and developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices and standards.

We make our products and services available across a variety of operating systems on mobile devices and PCs. We conduct our business and generate revenues primarily through mobile devices. If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices, or if we are slower than our competitors in developing attractive products and services adaptable for mobile devices, we may fail to capture a significant share or an increasingly important portion of the market or may lose existing users. In addition, even if we are able to retain the increasing number of mobile users, we may not be able to successfully monetize our user base in the future. We are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as Windows, Android, and iOS. Any changes in such operating systems or devices that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect the usage of our services. We may not be successful in maintaining and developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices and standards. Further, if the number of platforms for which we develop our services increases, which is typically seen in a dynamic and fragmented mobile services market such as China, it will result in an increase in our costs and expenses. In order to deliver high quality services, it is important that our services work well across a range of mobile operating systems, networks, mobile devices and standards that we do not control. In the event that it is difficult for our users to access and use our services, particularly on their mobile devices, our user growth and user engagement could be harmed, and our business, financial condition, results of operations and prospects could be adversely affected.

RISK FACTORS

Some of our products and services contain open source software, which may pose a particular risk to our proprietary software products and services and may adversely affect our business.

We use open source software in some of 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 have 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 leased property interests may be defective and our right to lease the properties affected by such defects may be challenged, which could cause significant disruption to our business.

As of the Latest Practicable Date, with respect to ten of our leased properties, the relevant lessors had not provided us with valid property ownership certificates or relevant authorization documents evidencing their rights to lease the properties to us. All such leased properties were used as offices. The absence of the property ownership certificates limited our ability to determine whether the lessors have the right to lease the properties to us, and if any of the lessors is not the legal owner and has not been duly authorized by the legal owner, the relevant lease agreement may be deemed invalid, and as a result, we may face challenges from the legal owners of the properties or other third parties, and may be forced to vacate the relevant properties and relocate our offices. We may incur additional expenses during the process, and our business, financial condition and results of operations may be negatively affected.

Pursuant to applicable PRC laws and regulations, property lease agreements must be filed with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. The filing of such leases will require the cooperation of the lessors. As of the Latest Practicable Date, we had not filed leases for 67 properties we leased in China, primarily due to the difficulty of procuring our lessors' cooperation to file such leases. As advised by our PRC Legal Advisor, the lack of filing will not affect the validity and enforceability of the lease agreements, but a fine ranging from RMB1,000 to RMB10,000 may be imposed on us for each non-filed lease. The estimated total maximum penalty is RMB670,000.

RISK FACTORS

Failure to pay the social insurance premium and housing provident funds for and on behalf of our employees in accordance with the relevant PRC laws and regulations may have an adverse impact on our financial conditions and results of operation.

According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts regardless of whether they have hired employees or not, and pay social insurance premium and housing provident funds for each employee to the relevant local authorities directly. During the Track Record Period and up to the Latest Practicable Date, certain of our PRC operating entities did not have any employees and could not open housing provident fund accounts as the relevant regulatory authorities only allow companies to open housing provident fund accounts after they have hired employees pursuant to the local practice. Nevertheless, these PRC operating entities are required to open housing provident fund accounts according to the relevant PRC laws and regulations, though they did not have any employees during the Track Record Period and up to the Latest Practicable Date. In addition, during the Track Record Period, a few of our PRC operating entities engaged third-party human resources agencies to pay social insurance premium and housing provident funds for some of their employees, who accounted for less than 1.0% of the total number of our employees. This is because such employees worked outside of the cities where the operating entities are registered and third-party human resources agencies were engaged to pay social insurance premium and housing provident funds for such employees in cities where they worked. If the relevant competent government authority is of the view that this third-party agency arrangement does not satisfy the requirements under the relevant PRC laws and regulations, in respect of housing provident fund, we may be ordered to pay the outstanding balance to the relevant local authority within a prescribed period of time, failing which the government authority can apply to the People's Court for compulsory enforcement, but no penalties are provided under the relevant PRC laws and regulations; and in respect of social insurance, we might be ordered to pay the outstanding balance within a certain period of time and a late fee that equals to 0.05% of the total outstanding balance per day from the date of the failure to make payment, failing which we may be subject to a fine ranging from one to three times of the total outstanding balance. As advised by our PRC Legal Advisor, if we can pay the outstanding balance to the relevant authorities within a certain period of time when we are required to do so, the likelihood of us being subject to fines by the relevant government authorities is low. As of the Latest Practicable Date, none of these entities had received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agencies or for having not opened housing provident fund accounts.

RISK FACTORS

Under the agreements between the third-party human resources agencies and our relevant operating entities, the third-party human resources agencies have the obligations to pay social insurance premium and housing provident funds for our relevant employees. However, if the human resource agencies fail to pay the social insurance premium or housing provident fund contributions for and behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure or be subject to penalties. As of the Latest Practicable Date, none of the third-party human resources agencies that we cooperate with had failed to pay, or delayed in paying, any social insurance premium or housing provident fund contributions for our employees.

Our results of operations are subject to fluctuations due to seasonality.

We experience seasonality in our business, reflecting seasonal fluctuations in mobile and internet usage. As a result, comparing our operating results on a period-to-period basis may not be meaningful. For example, the number of active users tend to be higher during holidays and school breaks. As a result, our results of operations and the trading price of our Class B Shares may fluctuate from time to time due to seasonality.

We may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious allegations, all of which could severely damage our reputation and materially and adversely affect our business and prospects.

We have a huge amount of users, and an extremely large number of transactions take place on our platform on a daily basis. The huge volume of activities taking place on our platform as well as publicity about our business create the possibility of heightened attention from the public, regulators and the media. Heightened regulatory and public concerns over consumer protection and consumer safety issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues, due to the large number of transactions that take place on our platform and the increasing scope of our overall business operations. In addition, changes in our services or policies have resulted and could result in objections by members of the public, the traditional, new and social media, social network operators, merchants on our platform or others. From time to time, these objections or allegations, regardless of their veracity, may result in consumer dissatisfaction, public protests or negative publicity, which could result in government inquiry or substantial harm to our brand, reputation and operations. Moreover, as our business expands and grows, both organically and through acquisitions of and investments in other businesses, domestically and internationally, we may be exposed to heightened public scrutiny in jurisdictions where we already operate as well as in new jurisdictions where we may operate. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects. We may not realize the benefits we expect from our strategic cooperation with our strategic partners, which may materially and adversely affect our business and results of operations.

RISK FACTORS

We are subject to anti-corruption, anti-bribery and other laws and regulations, and third party payment channels we cooperate with are subject to anti-money laundering laws.

We are subject to anti-corruption, anti-bribery and other relevant laws and regulations in China and certain overseas jurisdictions. Although we perform compliance processes and maintain internal control systems, we may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws and regulations if our processes or systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material and adverse effect on our reputation, business, financial condition, results of operations and prospects. If any of our subsidiaries, operating entities, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws and regulations, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition, results of operations and prospects.

In addition, we currently cooperate with third party payment channels such as Weixin Pay, Alipay and Apple Pay to process payments for us. These third party payment channels are subject to anti-money laundering obligations under applicable anti-money laundering laws and regulations in China, which require them to comply with certain anti-money laundering requirements, including the establishment of a customer identification procedure, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. If a third-party payment channel fails to perform its anti-money laundering obligations, it may be subject to fines or other proceedings in accordance with the relevant regulations. If any of our third-party payment channel fails to comply with applicable anti-money laundering laws and regulations, our reputation could suffer and we could become subject to regulatory intervention, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We are subject to governmental economic sanctions laws that could subject us to liability.

We are subject to various economic and trade sanctions laws in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to countries, governments, and persons targeted by U.S. sanctions. United Kingdom financial sanctions and European Union sanctions also have similar regime to prohibit the provision of products and services to countries, governments and persons on their respective target list.

RISK FACTORS

In the past, we have not identified any users on our platform that appeared to have been located in countries that are targets of any governmental economic sanctions. While we believe that we have been, and that we continue to be, in compliance with applicable governmental economic sanctions laws, our failure to employ appropriate safeguards with respect to users located in countries that are targets of governmental economic sanctions may result in a violation of such laws and regulations. Non-compliance with applicable governmental economic sanctions laws could subject us to adverse media coverage, investigations, severe administrative, civil and possibly criminal sanctions, and expenses related to remedial measures and legal expenses, which could materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

Our users may suffer from third-party fraud when purchasing our KwaiCoins and we may suffer fraud when selling KwaiCoins to users.

We offer our users multiple official payment channels to purchase KwaiCoins. However, from time to time, certain third parties fraudulently claim that users can purchase KwaiCoins through them. If our users choose to purchase KwaiCoins from such third parties, they may suffer losses from such fraudulent activities by third parties. Although we are not directly responsible for such fraudulent activities conducted by third parties, are not obligated to compensate and in the past have not compensated users for any such losses, our user experience may be adversely affected and they may choose to leave our platform as a result. Such fraudulent activities by third parties may also generate negative publicity, disputes or even legal claims. The measures we take in response to such negative publicity, disputes or legal claims may be expensive, time-consuming and disruptive to our operations and divert our management's attention.

In the past, we have experienced incidents in which users may have paid for our KwaiCoins through fraudulent methods, including the exploitation of the settlement policies of third-party online payment channels. The frequency of such incidents has been low during the Track Record Period and we have identified one confirmed incident resulting in approximately RMB140,000 in lost revenue. Although we have implemented authentication mechanisms that help us detect such fraudulent paying methods, we cannot guarantee that our mechanisms will identify and prevent all fraudulent KwaiCoin purchases in the future. These fraudulent transactions may cause harm to our financial results and business operations.

We are exposed to credit risks in relation to our trade receivables, and such risks may be heightened during periods of uncertain economic conditions.

As of December 31, 2017, 2018, 2019 and September 30, 2020, our trade receivables amounted to RMB136.6 million, RMB129.0 million, RMB1.1 billion and RMB1.8 billion, respectively. These trade receivables were related to receivables due from contracts with customers. We may not be able to collect all such trade receivables due to a variety of factors that are outside of our control. For example, if the strategic relationship between us and any of the online payment channels is terminated or deteriorated, or if any of the online payment channels experience financial difficulties in settling the trade receivables, our corresponding trade

RISK FACTORS

receivables may be adversely affected in terms of recoverability. As the amount of provisions made on our trade receivables are recorded as loss allowance provision, if we are not able to manage the credit risk associated with our trade receivables, our results of operations may be materially and adversely affected.

We enter into contracts with business partners on our platform including merchants, advertisers and third-party e-commerce platforms, and the financial soundness of these customers may affect our collection of accounts receivable. We make a credit assessment of each customer to evaluate the collectability of service fees before entering into a contract. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each customer, and any inability of a customer to pay us in a timely manner may adversely affect our liquidity and cash flows.

We may incur impairment charges for our intangible assets.

Our intangible assets consist of goodwill, which relates to our business acquisitions, and other intangible assets, including licenses and copyrights, trademarks and domain names, software and others. As of December 31, 2017, 2018 and 2019 and September 30, 2020, we recorded goodwill of nil, RMB816.1 million, RMB837.0 million and RMB837.0 million, respectively, and other intangible assets of RMB34.9 million, RMB229.7 million, RMB283.3 million and RMB416.7 million, respectively. Based on the result of goodwill impairment testing, which we conduct at least annually, no impairment was identified in respect of goodwill as of December 31, 2018 and 2019 and September 30, 2020, respectively. Due to frequent changes and development in technology, technological advancements may render our existing technologies less effective or even obsolete, or may cause our services to be less attractive to our customers. As a result, the assumptions we used in estimating the cash flow generated from our intangible assets may change, and the estimated useful life of our intangible assets may also be subject to significant estimate uncertainty. If any significant changes were to occur, we may incur impairment charges for our intangible assets, and if any significant impairment charges were made, our results of operation may be negatively affected.

We may incur higher income tax expenses if our deferred income tax assets are not utilized as expected.

In the application of our accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. As at December 31, 2017, 2018 and 2019 and September 30, 2020, our deferred income tax assets amounted to RMB7.8 million, RMB161.9 million, RMB860.2 million and RMB2.2 billion, respectively. For details of our deferred income tax assets during the Track Record Period, please refer to Note 31 to the Accountant's Report in Appendix I to this prospectus. Deferred tax assets are recognized only if it

RISK FACTORS

is probable that future taxable amounts will be available to utilize those temporary differences and losses according to our assessment. If sufficient future taxable profits are not generated eventually or are less than what is expected, a material reversal of deferred tax assets may arise.

Our business operations and financial performance have been affected by the COVID-19 outbreak.

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. Since early 2020, Mainland China and certain other regions and countries where we operate have been affected by the COVID-19 outbreak and, in response, governments have implemented, among other measures, restrictions on mobility and travel and cancellation of public activities, to contain the spread of the virus. As a result, our operations have to a certain extent been impacted by delays in business activities, commercial transactions and general uncertainties surrounding the duration of the governments' extended business and travel restrictions. In particular, the travel restrictions resulted in the reduction in size or even cancellation of our offline events, which temporarily adversely affected our marketing activities. The COVID-19 outbreak had also resulted in regulatory approval delays due to government-imposed lockdowns and workplace closures. Further, as social and work gatherings were banned, mandatory quarantine requirements were imposed and public transportation was suspended in certain cities and countries where our offices and facilities were located, a portion of our employees have been working remotely and our operations in those regions have been interrupted to the extent that onsite services of our employees were required.

Moreover, we took a series of measures in response to the outbreak to protect our employees, including, among others, temporary closure of our offices, remote working arrangements for our employees, and travel restrictions or suspension. These measures temporarily reduced the capacity and efficiency of our operations. We also provided our employees with masks, hand sanitizers and other protective equipment immediately after the outbreak, which had increased and may continue to increase our operations and support costs. In addition, our business operations could be disrupted if any of our employees is suspected of contracting the COVID-19 or any other epidemic disease, since our employees could be quarantined and/or our offices may have to be shut down for disinfection.

While the lock down and various social distancing initiatives adopted by the governments during the outbreak of COVID-19 have caused people to turn to online social and entertainment activities in lieu of physical gatherings, these measures have led to reduced business activities in general. Furthermore, any increase in demand for online social and entertainment activities as a result of the lock down and various social distancing initiatives associated with the COVID-19 outbreak may be temporary and not sustainable. The general concerns and uncertainties about the pandemic and the economy and the overall weakening consumer sentiment may have negatively affected our business.

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There remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic. Should there be a resurgence of the virus, China may again take emergency measures to combat the spread of the virus, including travel restrictions, mandatory cessations of business operations, mandatory quarantines, work-from-home and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions, which may impact online businesses. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook for 2020 cannot be reasonably estimated at this time. The potential downturn brought by and the duration of the COVID-19 outbreak may be difficult to assess or predict as the actual effects will depend on many factors beyond our control. While we believe the impact on our business due to the outbreak of COVID-19 was limited, it is hard for us to quantify the impact and estimate the extent to which the COVID-19 outbreak impacts our long-term results.

Pandemics and epidemics, natural disasters, terrorist activities, political unrest, and other outbreaks may disrupt our production, delivery, and operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

In recent years, there have been outbreaks of epidemics globally. In addition to the impact of COVID-19 as described above, our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of other widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, Ebola, or Zika or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the countries and regions we operate in could materially disrupt our business and operations. Such events could also significantly affect our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and prospects. Our operations could be disrupted if any of our employees were suspected of having any of the epidemic illnesses, since this could require us to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenues and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the Chinese or global economy in general. Our operations could also be severely disrupted if our customers, suppliers or other participants were affected by such natural disasters, health epidemics or other outbreaks.

We may be subject to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, riots, political and military upheavals and other outbreaks in the country or region where we have our operations or where a portion of our users are located. Such events could significantly disrupt our operations and negatively impact our business, financial condition, results of operations and prospects.

RISK FACTORS

Changes in international trade or investment policies and barriers to trade or investment, and the ongoing conflict and emergence of a trade war between the United States and China and the ongoing conflict between India and China may have an adverse effect on our business and expansion plans.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion, our financial condition, and results of operations. There have been political matters which resulted in increased tensions between U.S. and China. In addition, China has implemented, and may further implement, measures in response to new trade policies, treaties and tariffs initiated by the U.S. government. Such measures may further escalate the tensions between the countries or even lead to a trade war. Any further escalation in trade tensions between China and the U.S. or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole. As a result, our business, financial condition, results of operations and prospects would be adversely affected. We currently carry out certain operations and research and development functions in the U.S.. While our business operations in the U.S. have not been adversely affected, if there were any further escalation of tensions between the U.S. and China or if any further restrictions on internet companies from China were imposed by the U.S., our business may be adversely affected. In addition, our potential acquisitions and investments, as well as operations, in the United States may be affected by heightened regulatory requirements or scrutiny if the current U.S.-China disputes continue to escalate. Furthermore, there is no guarantee that China will not impose any additional U.S.-specific restrictions on top of its existing restrictions.

On June 29, 2020, the Indian government banned 59 mobile apps which are either based in or linked to China including our Kwai app and UVideo app. On September 2, 2020, the Indian government banned another 188 China-related mobile apps including one of our apps. On November 24, 2020, the Indian government further banned another 43 China-related mobile apps including our Snack Video. Whilst both India and China have now expressed their efforts to ease tensions, there can be no assurance that similar events would not happen in the future, or any diplomatic efforts would continue to be successful, or our other mobile apps in India would not be banned in the future. We cannot predict how such geopolitical events will develop in the future and how they may impact our business, operations, reputation and financial condition.

RISK FACTORS

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

We adopted our Pre-IPO ESOP for the purpose of granting share-based compensation awards to employees, Directors and consultants to incentivize their performance and align their interests with ours. We recognize expenses in our consolidated financial statements in accordance with IFRS. Under our Pre-IPO ESOP, we are authorized to grant options and restricted shares. As of September 30, 2020, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under our Pre-IPO ESOP was 523,622,725 ordinary shares, subject to adjustment and amendment. We believe the granting of share-based compensation is important to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees 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.

RISKS RELATED TO OUR CORPORATE STRUCTURE

If the PRC government determines that the agreements establishing the structure for operating our online businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

We are a Cayman Islands exempted company and our indirect wholly-owned PRC subsidiary, Beijing Dajia, is considered a foreign-invested enterprise. The PRC government prohibits foreign investment in internet cultural activities, internet audio-visual program services, online live streaming services and online game services and restricts foreign investment in value-added telecommunications services businesses. See “Regulations on Value-Added Telecommunications Services,” “Regulations relating to Internet Audio-Visual Program Services,” “Regulations relating to Online Live Streaming Services,” “Regulations relating to Online Games” and “Regulations relating to Foreign Investment” in “Regulatory Overview.” Due to these restrictions, we conduct our operations in China through our Consolidated Affiliated Entities. Although we do not have any equity interest in our Consolidated Affiliated Entities, we are able to exercise effective control over them and receive substantially all of the economic benefits of their operations through the Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders. For a description of the Contractual Arrangements, see “Contractual Arrangements.”

Our PRC Legal Advisor is of the opinion that each of the agreements underlying the Contractual Arrangements (i) taken individually and collectively, are legal, valid and binding on the parties of each of the agreements underlying the Contractual Arrangements in accordance with their terms and provisions under applicable PRC laws and regulations, except that the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, or

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that the provisions regarding the liquidation committee designated by our WFOE upon the winding up of the Consolidated Affiliated Entities to manage their assets may not be recognized or enforced by PRC courts, (ii) do not violate the articles of association of Beijing Dajia and each of the PRC Holdcos, and (iii) none of the agreements underlying the Contractual Arrangements violates provisions in the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”) including in particular provisions regarding “impairing others’ legitimate rights and interests with malicious collusion” or falls within any circumstances under which a contract may be determined invalid pursuant to the Civil Code. However, there can be no assurance that the PRC government authorities will not take a view in the future that is contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. The relevant PRC government authorities have broad discretion in dealing with deemed non-compliances or violations, including, without limitation:

- require the nullification of the Contractual Arrangements;
- revoke the business licenses and/or operating licenses of Beijing Dajia or our Consolidated Affiliated Entities;
- require us to discontinue the business operations of Beijing Dajia or our Consolidated Affiliated Entities, or place restrictions or onerous conditions on such business operations;
- restrict our right to collect revenues;
- shut down all or part of our websites, applications or services;
- levy fines on us and/or confiscate the proceeds generated from the operations under the Contractual Arrangements;
- impose additional conditions or requirements which we may not be able to comply with;
- require us to undergo costly and disruptive restructurings; and
- take other regulatory or enforcement actions that could be harmful to our business.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on our ability to conduct our business. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of our Consolidated Affiliated Entities or our right to receive economic benefits from our Consolidated Affiliated Entities, we would no longer be able to consolidate the financial results of our Consolidated Affiliated Entities.

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Substantial uncertainties exist with respect to whether the control of PRC onshore VIEs by foreign investors via contractual arrangements will be recognized as “foreign investment” and how it may impact the viability of our current corporate structure and operations.

On March 15, 2019, the National People’s Congress of the PRC adopted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**PRC Foreign Investment Law**” or “**FIL**”), which came into force on January 1, 2020. The PRC Foreign Investment Law defines “foreign investment” as investment activity in China conducted directly or indirectly by foreign investors in any of the following manners: (i) the foreign investor, by itself or together with other investors, establishes a foreign-invested enterprise in China; (ii) the foreign investor acquires shares, equities, asset tranches, or similar rights and interests in enterprises in China; (iii) the foreign investor, by itself or together with other investors, invests and establishes a new project in China; or (iv) the foreign investor invests through other approaches as stipulated by laws, administrative regulations or otherwise regulated by the State Council. The PRC Foreign Investment Law is silent on how to define and regulate VIEs, while adding a catch-all clause that “other approaches as stipulated by laws, administrative regulations or otherwise regulated by the State Council” can fall within the concept of “foreign investment,” which leaves uncertainty as to whether a foreign investor’s control of PRC onshore VIEs via contractual arrangements will be recognized as “foreign investment.” Pursuant to the PRC Foreign Investment Law, PRC governmental authorities will regulate foreign investment by applying the principle of pre-entry national treatment together with a “negative list,” which will be promulgated by or promulgated with approval by the State Council. Foreign investors are prohibited from making any investments in industries which are listed as “prohibited” in such negative list; and, after satisfying certain additional requirements and conditions as set out in the “negative list,” are allowed to make investments in the industries which are listed as “restricted” in such negative list. With respect to any foreign investor that fails to comply with such negative list, the competent authorities are entitled to ban its investment activities, require such investor to take measures to correct its non-compliance, and impose other penalties.

The internet cultural activities, internet audio-visual program services, online live streaming services, online game services and value-added telecommunications services that we conduct through our Consolidated Affiliated Entities are subject to foreign investment restrictions or prohibitions as set out in the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (《外商投資准入特別管理措施(負面清單)》(2020年版)) issued by MOFCOM and the National Development and Reform Commission (the “**NDRC**”), which became effective on July 23, 2020. It is unclear whether any new “negative list” to be issued under the PRC Foreign Investment Law will be different from such existing list.

The PRC Foreign Investment Law leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. It is therefore uncertain whether our corporate structure will be seen as violating foreign investment rules as we are currently using the Contractual Arrangements to operate certain businesses in which foreign investors are currently prohibited or restricted from investing. Furthermore, if future laws, administrative regulations or provisions of the State Council mandate

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further actions to be taken by companies with respect to our existing Contractual Arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. If we fail to take appropriate and timely measures to comply with any of these or similar regulatory compliance requirements, our current corporate structure, corporate governance and business operations could be materially and adversely affected.

We rely on our Contractual Arrangements for our operations in China, which may not be as effective in providing operational control as direct ownership. Our PRC Holdcos and/or their Registered Shareholders may fail to perform their obligations under our Contractual Arrangements, which may result in us resorting to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

Most of our revenues and cash flows are attributed to our Consolidated Affiliated Entities. Due to PRC restrictions on and prohibitions of foreign ownership of certain businesses in China, we operate our business in China through our Consolidated Affiliated Entities, in which we have no ownership interest. We rely on our Contractual Arrangements with our PRC Holdcos and their Registered Shareholders, including powers of attorney, to control and operate the businesses of our Consolidated Affiliated Entities. These Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See “History and Corporate Structure — Corporate Structure” and “Contractual Arrangements” for more details about these Contractual Arrangements. In particular, our ability to control the Consolidated Affiliated Entities is dependent on certain powers of attorney, pursuant to which Beijing Dajia (our indirect wholly-owned subsidiary in China) is entitled to vote on all matters requiring shareholder approval with respect to our PRC Holdcos.

Although we have been advised by our PRC Legal Advisor that each of the Contractual Arrangements among Beijing Dajia, our PRC Holdcos and their Registered Shareholders, including the powers of attorney, is legal, valid and binding under existing PRC laws and regulations, except that the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, these Contractual Arrangements may not be as effective in providing operational control over our Consolidated Affiliated Entities and their subsidiaries as direct equity ownership. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our Consolidated Affiliated Entities, 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 PRC Holdcos or their Registered Shareholders 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 and regulations, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation. For example, if the shareholders of our PRC Holdcos were to refuse to transfer their equity interests in our PRC Holdcos to us or our designee when we exercise the call option pursuant to the Contractual Arrangements, or if they were otherwise to act

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in bad faith toward us, we might have to take legal action to compel them to perform their respective contractual obligations. These Contractual Arrangements are governed by and interpreted in accordance with PRC law, and disputes arising from the Contractual Arrangements will be resolved through arbitration in China. However, the legal system in China, particularly as it relates to arbitration proceedings, is different from legal systems in many other jurisdictions such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of consolidated affiliated entities should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of arbitration, should legal action become necessary. These uncertainties could limit our ability to enforce the Contractual Arrangements. In addition, arbitration awards are final and may only be enforced in PRC courts through arbitration award recognition proceedings, which could cause additional expenses and delays. In the event we are unable to enforce the Contractual Arrangements or if we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate the financial results of such entities in our consolidated financial statements, our ability to conduct our business may be negatively affected, and our operations could be severely disrupted, which could materially and adversely affect our business, financial condition, results of operations and prospects.

As some of our Contractual Arrangements may not have fully detailed the parties' rights and obligations, our remedies for a breach of these arrangements may not be guaranteed.

Our current relationship with our Consolidated Affiliated Entities and their ultimate shareholders is based on a number of contracts, and the Consolidated Affiliated Entities are considered to be our VIEs for accounting purposes. Regardless of our internal control and contract management processes, certain terms of the Contractual Arrangements may be statements of general intent and may not have fully detailed the rights and obligations of the parties. Some of these contracts contain price and payment terms that are subject to quarterly adjustments. These provisions may be subject to different interpretations, particularly in relation to the details of the services to be provided and the price and payment terms. It may be difficult for us to obtain remedies or damages from these affiliated entities or their ultimate shareholders for breaching our agreements. As we rely significantly on these companies for our business, the realization of any of these risks may disrupt our operations or cause degradation in the quality and service provided on, or a temporary or permanent shutdown of our platform.

We may not be able to conduct our operations without the services provided by certain of our Consolidated Affiliated Entities.

Our operations are currently dependent upon our commercial relationships with our Consolidated Affiliated Entities, and we derive most of our revenues from these companies. If our PRC Holdcos are unwilling or unable to perform the agreements which we have entered into with them, we may not be able to conduct our operations in the manner in which we currently do. In addition, our PRC Holdcos may seek to renew these agreements on terms that are disadvantageous

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to us. Although we have entered into a series of agreements that provide us with substantial ability to control these companies, we may not succeed in enforcing our rights under them. If we are unable to renew these agreements on favorable terms, or to enter into similar agreements with other parties, our business may not expand, and our operating expenses may increase.

We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Our Consolidated Affiliated Entities hold assets that are material to our business operations. The Contractual Arrangements with our PRC Holdcos contain terms that specifically obligate their Registered Shareholders to ensure the valid existence of our Consolidated Affiliated Entities and that our Consolidated Affiliated Entities may not be voluntarily liquidated. However, should the shareholders breach this obligation and voluntarily liquidate our Consolidated Affiliated Entities, or should our Consolidated Affiliated Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

The Registered Shareholders of our PRC Holdcos may have conflicts of interest with us, which may materially and adversely affect our business.

Our control over the Consolidated Affiliated Entities is based upon the Contractual Arrangements with our PRC Holdcos and the Registered Shareholders. The Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertaking if it would further their own interest or if they otherwise act in bad faith. We cannot assure you, however, that when conflicts of interest arise, these individuals will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such conflicts of interest, these individuals may breach or cause our PRC Holdcos to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from our Consolidated Affiliated Entities. If we cannot resolve such conflict of interest or dispute between us and such shareholders of our PRC Holdcos should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements with our PRC Holdcos and their Registered Shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

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We conduct our business operations in China through the Consolidated Affiliated Entities by way of the Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws and regulations.

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and regulations and provide for resolution of disputes through arbitration in China. Accordingly, these agreements would be interpreted in accordance with PRC laws and regulations, and disputes would be resolved in accordance with PRC legal procedures. The uncertainties as to the adoption of evidence and precedent rulings in China's legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Consolidated Affiliated Entities, injunctive relief and/or winding up of Consolidated Affiliated Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws and regulations, these terms may not be enforceable. Under PRC laws and regulations, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as courts in Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. PRC laws and regulations do not allow the arbitral body to grant an award of transfer of assets of or equity interests in Consolidated Affiliated Entities in favor of an aggrieved party. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by PRC Holdcos and/or their respective Registered Shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities, which could negatively affect our ability to conduct our business.

The Contractual Arrangements between Beijing Dajia and our PRC Holdcos may be subject to scrutiny by the PRC tax authorities and may subject our Group to increased income tax due to the different income tax rates applicable to Beijing Dajia and our PRC Holdcos. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

Under the Contractual Arrangements, our PRC Holdcos are required to pay Beijing Dajia relevant service fees. Beijing Dajia may adjust the service fee payable by our PRC Holdcos at its sole discretion. Such service fee payments reduce our Consolidated Affiliated Entities' taxable income and correspondingly increase the taxable income of Beijing Dajia, which, combined with the different income tax rates applicable to our Consolidated Affiliated Entities and Beijing Dajia, have affected and may continue to affect our results of operations, particularly, our income tax expenses and net profit on a consolidated basis.

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Additionally and pursuant to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by PRC tax authorities. We may be subject to adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements among Beijing Dajia, our PRC Holdcos and their Registered Shareholders are not on an arm's length basis and therefore constitute favorable transfer pricing. As a result, the PRC tax authorities could require that our Consolidated Affiliated Entities adjust their taxable income upward for PRC tax purposes. Such an adjustment could increase our Consolidated Affiliated Entities' tax expenses without reducing the tax expenses of Beijing Dajia, subject our Consolidated Affiliated Entities to late payment fees and other penalties for under-payment of taxes, and result in the loss of any preferential tax treatment Beijing Dajia may have. As a result, our consolidated results of operations may be adversely affected.

If we exercise the option to acquire equity ownership and assets of our Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, Beijing Dajia (or its designee) has the exclusive right to purchase all or any part of the equity interests in each of our Consolidated Affiliated Entities from their shareholders at a purchase price equal to RMB1, or at the lowest price permitted by PRC law, for the optioned interests. In the event of such transfer, the lowest price permitted by PRC law may be substantially higher than RMB1, or the competent tax authority may require Beijing Dajia to pay enterprise income tax for ownership transfer income with reference to the market value instead of the price as stipulated under the Contractual Arrangements, in which case Beijing Dajia may be subject to a substantial amount of tax and our financial condition may be materially and adversely affected.

A transfer of shares in some of our Consolidated Affiliated Entities may trigger tax liability.

If we need to cause the transfer of shareholdings in our Consolidated Affiliated Entities from their current respective shareholders to any other individual, we may be required to pay individual income tax in the PRC on behalf of the transferring shareholder. Such individual income tax would be based on any gain deemed to have been realized by such shareholder on such transfer, and may be calculated based on a tax rate of 20% applied to the transferring shareholder's interest in net book value of the entity whose shares are being transferred minus the original investment cost. A significant tax obligation arising from any such transfer of shares could materially and adversely affect our business and results of operations.

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RISKS RELATED TO DOING BUSINESS IN CHINA

Uncertainties or prolonged adversity in global or China's economic, political and social conditions or government policies could adversely affect our business and prospects.

We derive substantially all of our revenues from our operations in China. As a result, our revenues and net income are impacted to a significant extent by economic, political and social conditions in China and globally, as well as economic conditions specific to online and mobile internet usage and advertising. China's economic conditions are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The global macroeconomic environment is facing new challenges and there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. Recent international trade disputes, including tariff actions announced by the United States, the PRC and certain other countries, and the uncertainties created by such disputes may cause disruptions in the international flow of goods and services and may adversely affect the Chinese economy as well as global markets and economic conditions. There have also been concerns about the economic effect of the military conflicts and political turmoil or social instability in the Middle East, Europe, Africa and other places. The global economy, markets and levels of consumer spending are influenced by many factors beyond our control, including consumer perception of current and future economic conditions, political uncertainty, levels of employment, inflation or deflation, real disposable income, interest rates, taxation and currency exchange rates. Any severe or prolonged slowdown in the global economy may adversely affect the Chinese economy which in turn may adversely affect our business and operating results.

The rate of economic growth in the PRC has been experiencing a slowdown, primarily as a result of the COVID-19 pandemic. In addition, any future escalation of the ongoing trade war between the United States and China, regional or national instability, or ongoing impact of the COVID-19 pandemic may negatively impact the growth in both the Chinese economy and the global economy as a whole. Although the PRC government has implemented a number of measures to address the slowdown, we cannot be certain that these measures will be successful. Any continuing or worsening slowdown could significantly reduce domestic commerce in China, including through the internet generally and within our ecosystem. An economic downturn, whether actual or perceived, a further decrease in economic growth rates, or an otherwise uncertain economic outlook in China or any other market in which we may operate could have a material and adverse effect on our business, financial condition, results of operations and prospects.

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The economy of China has, in certain aspects, been transitioning to a more market-oriented economy. Although we believe that the economic reform and the macroeconomic measures adopted by the PRC government have had a positive effect on the economic development of China, we cannot predict the future direction of these economic reforms or the effects these measures may have on our business, financial position or results of operations. In addition, the Chinese economy differs from the economies of most countries belonging to the Organization for Economic Co-operation and Development (the “OECD”). These differences include:

- economic structure;
- level of government involvement in the economy;
- level of development;
- level of capital reinvestment;
- control of foreign exchange;
- inflation rates;
- methods of allocating resources; and
- balance of payments position.

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the Chinese economy were similar to those of the OECD member countries.

Regulation of information disseminated over the internet in China may adversely affect our business and subject us to liability for information displayed on, retrieved from or linked to our platform or website or distributed to our users.

The PRC government has adopted certain regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers 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 is obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements could result in the revocation of ICP License and other required licenses and the closure of the concerned websites. The website operator may also be held liable for such prohibited information displayed on, retrieved from or linked to such website. In addition, the MIIT has published regulations that subject website operators to potential liability for content included on their websites and for the actions of users and others using their websites, including liability for violations of PRC laws and regulations prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any

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local internet service provider, or ISP, to block any internet website maintained outside China in accordance with the relevant PRC laws and regulations. The State Secrecy Bureau, which is directly responsible for the protection of state secrets of the PRC government, is authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information.

As these regulations are subject to interpretation by the relevant authorities and may change over time, it may not be possible for us to determine in all cases the type of content that could result in liability for us as a website operator. In addition, we may not be able to control or restrict the content of other internet content providers linked to or accessible through our platform, or content generated or placed on our platform by our users, despite our attempt to monitor such content. To the extent that regulatory authorities find any portion of the content on our platform objectionable, they may require us to limit or eliminate the dissemination of such information or otherwise curtail the nature of such content on our platform, which may reduce our user traffic and have a material and adverse effect on our financial condition and results of operations.

There are uncertainties associated with PRC laws and regulations on virtual assets, and therefore it is not clear what liabilities, if any, we may have relating to the loss of virtual assets by our users.

While participating on our platform, our users may acquire, purchase and accumulate certain virtual assets, such as gifts or certain statuses and privileges. Such virtual assets can be important to users and have monetary value and, in some cases, can be cashed to actual money. However, virtual assets may become lost for various reasons, often through unauthorized use of the account of one user by other users and occasionally through data loss caused by delays in network service, network crashes or hacking activities. Currently, there are uncertainties associated with PRC laws and regulations on virtual assets. As a result, uncertainties still exist as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of a platform such as ours would have any liability, whether in contract, tort or otherwise, to users or other interested parties, for loss of such virtual assets. Some recent PRC court judgments ordered certain online platform operators liable for losses of virtual assets by platform users, and have ordered online platform operators to restore the lost virtual items to users or pay damages and losses. In case of a loss of virtual assets, we may be sued by our users and held liable for losses, which may negatively affect our reputation, business, financial condition, results of operations and prospects. We have been involved in virtual items related lawsuits in the past, and we cannot assure you that such lawsuits will not be brought against us again in the future.

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Restrictions on virtual currency may result in us having to obtain additional approvals or licenses or change our current business model and may adversely affect our revenues, business and reputation.

We generate a small portion of our revenues from online games operation, which are collected through the online sale of in-game currencies. In-game currencies are considered to be “virtual currency” as such term is defined in the Notice on Strengthening the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “**Virtual Currency Notice**”), which was jointly issued by the MOC and MOFCOM on June 4, 2009. PRC laws and regulations, including this notice, have provided various restrictions on virtual currency and imposed various requirements and obligations on online game operators with respect to the virtual currency used in their games. See “Regulatory Overview — Regulations Relating to Online Games — Virtual Currency.” Although we believe that the Virtual Currency Notice does not apply to our online games operation other than the online sale of in-game currencies, given the wide discretion in enforcement given to relevant governmental authorities and uncertainties in the regulatory environment, we cannot assure you that relevant governmental authorities will not in the future interpret the Virtual Currency Notice in a different way and subject the operation of our platform to the requirements of the Virtual Currency Notice or issue new rules to regulate virtual currency in our online games operation other than the online sale of in-game currencies. We must tailor our business model carefully in order to comply with the current PRC laws and regulations, including the Virtual Currency Notice, in a manner that in many cases can be expected to result in an adverse impact on our online games revenue.

Fluctuations in the value of the Renminbi and other currencies may have a material and adverse impact on our results of operations and other comprehensive income or loss, as well as the value of your investment.

In the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our Consolidated Affiliated Entities. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations. During the Track Record Period, we recorded currency translation gains of RMB881.9 million and RMB3.9 billion in 2017 and the nine months ended September 30, 2020, respectively; and recognized currency translation losses of RMB1.8 billion, RMB911.0 million and RMB1.3 billion in 2018, 2019 and the nine months ended September 30, 2019, respectively, which were recognized as other comprehensive income/(loss) in our consolidated statements of comprehensive loss.

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Market forces or PRC or Hong Kong or U.S. government policy may adversely impact the exchange rate between the Renminbi, Hong Kong dollar and the U.S. dollar in the future. Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the measures adopted by People's Bank of China in the foreign exchange market may impact Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long-term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

There remains significant international pressure on the PRC government to adopt a flexible currency policy to allow the Renminbi to appreciate against the U.S. dollar. Significant revaluation of the Renminbi may have a material and adverse effect on your investment. Substantially all of our revenues and costs are denominated in Renminbi and any significant revaluation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. To the extent that we need to convert Hong Kong dollars into Renminbi for capital expenditures and working capital and other business purposes, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the Renminbi against the Hong Kong dollar may significantly reduce the Hong Kong dollar equivalent of our earnings, which in turn could adversely affect the price of our Class B Shares, and if we decide to convert Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares, strategic acquisitions or investments or other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our ability to utilize our revenues effectively and effect foreign exchange transactions, including our ability to pay dividends and perform other obligations, and may affect the value of your investment.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of

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dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to Beijing Dajia and/or our Consolidated Affiliated Entities.

Any funds we transfer to Beijing Dajia, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, the information of capital contributions to Beijing Dajia should be reported to the MOFCOM or its local branches and filed with other governmental authorities in China. Additionally, any foreign loan procured by Beijing Dajia is required to be registered with the SAFE or its local branches, and Beijing Dajia may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by the MOFCOM or its local branches. Any medium or long-term loan to be provided by us to our Consolidated Affiliated Entities for a term of over one year must be approved by the NDRC and the SAFE or its local branches. We may not obtain these governmental approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our Consolidated Affiliated Entities. If we fail to receive such approvals or complete such registrations, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could adversely affect Beijing Dajia's liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE issued the Circular on Performing the Administration Approach regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises ("SAFE Circular 19"). SAFE Circular 19 allows foreign-invested enterprises in China to convert foreign currencies into Renminbi in order to pay their registered capital and make equity investments in Renminbi. However, it still prohibits foreign-invested enterprises from making

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security market investments, offering entrustment loans and purchasing any investment properties, unless otherwise permitted by other relevant PRC laws and regulations. As a result, SAFE Circular 19 may restrict our ability to convert, transfer and use the net proceeds from the Global Offering.

Complexity, uncertainties and changes with respect to the PRC legal system, in particular those in relation to the internet industry and companies, could adversely affect us.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet industry-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve uncertainties and are subject to changes. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

Substantially all of our business is conducted in China and is governed by PRC laws and regulations. Beijing Dajia and our Consolidated Affiliated Entities are located in China and subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by relevant enforcement bodies to further apply and enforce such laws and regulations. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to online game development and operation. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by whom an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

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

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006 and amended on June 22, 2009 (the “M&A Rules”). The M&A Rules and other regulations and rules concerning mergers and acquisitions established procedures and

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requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires that MOFCOM be notified in advance of any change-of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law promulgated by the SCNPC on August 30, 2007 and effective as of August 1, 2008 requires transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be notified and cleared by MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (“**Circular No. 6**”), which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a 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. In August 2011, MOFCOM promulgated the Rules on Implementation of Security Review System (“**MOFCOM Security Review Rules**”), to replace the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM effective from March 2011 and expired by the end of August 2011, for implementing Circular No. 6. The MOFCOM Security Review Rules, which became effective on September 1, 2011, explicitly provide that MOFCOM will look into the substance and actual impact of the transaction and further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, and obtaining control through contractual arrangements or offshore transactions.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

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

Operating in the high-technology industry, Beijing Dajia, our WFOE, enjoys various types of preferential tax treatment according to relevant PRC tax laws. Beijing Dajia may, if it meets the relevant requirements, qualify for certain preferential tax treatment.

Beijing Dajia, became accredited as a high and new technology enterprise which enabled it to enjoy a preferential tax rate of 15% commencing from 2017. The high and new technology enterprise qualification is re-assessed by the relevant authorities every three years. In addition, Beijing Dajia was granted as “software enterprise,” which entitled it to an income tax exemption for two years beginning with its first profitable year and a 50% reduction to a rate of 12.5% for the subsequent three years from 2017. In 2020, Beijing Dajia was also qualified as “key national software enterprise” which entitled it to a further reduced preferential income tax rate of 10% starting from 2019, subject to annual assessment by relevant authorities. See “Financial Information — Taxation — PRC.” In 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, effects of preferential income tax benefits to Beijing Dajia were RMB45.1 million, RMB17.5 million, RMB113.9 million, RMB175.9 million and negative RMB973.6 million, respectively. Further, according to the relevant laws and regulations, Beijing Dajia is entitled to claim 175% of its research and development expenses as Super Deduction from January 1, 2018 as it engages in research and development activities. Before January 1, 2018, Beijing Dajia was entitled to claim 150% of its research and development as Super Deduction. In 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we recorded income tax credits of RMB5.8 million, RMB11.8 million, RMB85.5 million, RMB60.0 million and RMB62.9 million, respectively, for Super Deduction of research and development expenses. See Note 13 to the Accountant’s Report set forth in Appendix I to this prospectus.

If Beijing Dajia fails to maintain its qualifications under the relevant PRC laws and regulations, its applicable enterprise income tax rates may increase to up to 25% or it may not be able to claim tax deductible expense, any of which could cause our income tax expenses to increase and have a material adverse effect on our results of operations. See “Risk Factors — Our business currently benefits from certain PRC government incentives. Failure to obtain government grants or preferential tax treatments that may be available to us, or the discontinuation, reduction or delay of any of the government grants or preferential tax treatments currently enjoyed by us in the future could materially and adversely affect our business, financial condition, results of operations and prospects.”

Under the PRC enterprise income tax law, we may be deemed a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our Shareholders and have a material and adverse effect on our results of operations and the value of your investment.

Under the PRC enterprise income tax law that became effective on January 1, 2008, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject

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to a uniform EIT tax rate of 25% on its worldwide income. On April 22, 2009, the SAT issued the Notice 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 (《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》) (the “**Circular 82**”), which sets out certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Further to the Circular 82, on July 27, 2011, the SAT issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (“**SAT Bulletin 45**”), which became effective on September 1, 2011, to provide more guidance on the implementation of the Circular 82. According to the Circular 82, an offshore-incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC tax resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (d) not less than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 provides further rules on residence status determination, post-determination administration as well as competent tax authorities procedures.

Although the Circular 82 and SAT Bulletin 45 apply only to offshore-incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, our PRC Legal Advisor has advised us that the determination criteria set out therein may reflect the SAT's general position on how the term “de facto management body” could be applied in determining the tax resident status of offshore enterprises regardless of whether they are controlled by PRC enterprises, individuals or foreigners. We do not meet all of the conditions set out in the Circular 82. Therefore, we believe that we should not be treated as a “resident enterprise” for PRC tax purposes even if the standards for “de facto management body” prescribed in the Circular 82 applied to us. For example, our minutes and files of the resolutions of our Board of Directors and the resolutions of our Shareholders are maintained outside the PRC. However, the PRC tax authorities may take a different view. If the PRC tax authorities determine that our Cayman Islands holding company or any Hong Kong or BVI subsidiary is a PRC resident enterprise for PRC enterprise income tax purposes, its worldwide income could be subject to PRC tax at a rate of 25%, which could reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Although dividends paid by one PRC tax resident to another PRC tax resident should qualify as “tax-exempt income” under the enterprise income tax law, dividends paid by our PRC subsidiary to us or any of our Hong Kong or BVI subsidiaries could be subject to a 10% withholding tax if we or any of our Hong Kong or BVI subsidiaries were treated as a PRC resident enterprise. The PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

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If we are treated as a resident enterprise, non-PRC resident holders of Shares may also be subject to PRC withholding tax on dividends paid by us and PRC tax on gains realized on the sale or other disposition of Shares, if such income is sourced from within the PRC. The tax would be imposed at the rate of 10% in the case of non-PRC resident enterprise holders and 20% in the case of non-PRC resident individual holders. In the case of dividends, we would be required to withhold the tax at source. Any PRC tax liability may be reduced under applicable tax treaties or similar arrangements, but it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Although our holding company is incorporated in the Cayman Islands, it remains unclear whether dividends received and gains realized by our non-PRC resident holders of Shares will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax will reduce the returns on your investment in our Class B Shares.

We are subject to consumer protection laws and regulations that could require us to modify our current business practices and incur increased costs.

Our e-commerce business is subject to numerous PRC laws and regulations that regulate retailers generally or govern online retailers specifically, such as the Law on Protection of Consumers' Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》) (the “**PRC Consumer Protection Law**”). If these regulations were to change or if we or our suppliers were to violate them, the costs of certain products or services could increase, or we could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered on our e-commerce platform and hurt our business and results of operations. For example, the amended PRC Consumer Protection Law, which became effective in March 2014, strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, with a particular focus on businesses that operate via the internet. Pursuant to the PRC Consumer Protection Law, consumers are generally entitled to return goods purchased within seven days upon receipt without giving any reasons if the purchases are made through the internet. Consumers whose interests have been harmed due to their purchase of goods or acceptance of services on e-commerce platforms may claim damages from sellers or service providers. Laws and regulations regarding consumer protection, particularly those involving transactions conducted over the internet, frequently change and are subject to interpretation. We are therefore unable to predict the ultimate cost of compliance with the relevant laws or regulations or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

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Our business currently benefits from certain PRC government incentives. Failure to obtain government grants or preferential tax treatments that may be available to us, or the discontinuation, reduction or delay of any of the government grants or preferential tax treatments currently enjoyed by us in the future could materially and adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, we received various government grants from local government authorities, including government grants and certain VAT subsidies, to reward our support for the development of local economies. Such government grants and VAT subsidies amounted to RMB19.3 million, RMB107.6 million, RMB292.6 million and RMB396.2 million in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively. During the Track Record Period, we also received certain preferential tax treatment. Nevertheless, such government grants and preferential tax treatment are non-recurring in nature, and the governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment at any time. The discontinuation, reduction or delay of these government grants or preferential tax treatment could adversely affect our business, financial condition, results of operations and prospects. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

There are uncertainties with respect to indirect transfers of PRC taxable properties outside a public stock exchange.

We face uncertainties regarding the reporting and consequences of private equity financing transactions, private share transfers, and share exchanges involving the transfer of shares in our Company by non-resident investors. According to the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《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》), issued by the SAT on February 3, 2015 (“**Bulletin 7**”), an “indirect transfer” of assets of a PRC resident enterprise, including a transfer of equity interests in a non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises (“**Indirect Transfer**”), may be re-characterized and treated as a direct transfer of PRC taxable properties, if such transaction lacks reasonable commercial purpose and was undertaken for the purpose of reducing, avoiding or deferring PRC enterprise income tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and tax filing or withholding obligations may be triggered, depending on the nature of the PRC taxable properties being transferred. According to Bulletin 7, “PRC taxable properties” include assets of a PRC establishment or place of business, real properties in the PRC, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income tax. When determining if there is a “reasonable commercial purpose” for the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC

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taxable properties have a real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such Indirect Transfer outside China and its applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business of a foreign enterprise, the resulting gain is to be included with the annual enterprise filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to PRC real properties or to equity investments in a PRC resident enterprise, which are not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 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. Where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the competent tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest.

Currently, Bulletin 7 does not apply to the sale of shares by investors through a public stock exchange where such shares were acquired in a transaction on a public stock exchange. The PRC tax authorities could, at their discretion, adjust any capital gains and impose tax return filing and withholding or tax payment obligations and associated penalties with respect to any internal restructuring, and our PRC subsidiary may be requested to assist in the filing. Any PRC tax imposed on a transfer of our Shares not through a public stock exchange, 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 our Company.

We may rely on dividends paid by our WFOE to fund cash and financing requirements and our Consolidated Affiliated Entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company, and we may rely on dividends to be paid to us by our WFOE, Beijing Dajia, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our Shares and to service any debt we may incur. If Beijing Dajia incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, a wholly foreign-owned enterprise in China, such as Beijing Dajia, may pay dividends only out of its accumulated 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 fund reaches 50% of its registered capital. At the discretion of the board of directors of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on PRC accounting standards to 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 Beijing Dajia to pay dividends or

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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.

Furthermore, the ability of Beijing Dajia to pay dividends in turn depends on service fees paid by our Consolidated Affiliated Entities pursuant to the Contractual Arrangements. Each of our Consolidated Affiliated Entities is required to set aside at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. As of September 30, 2020, we had made appropriations of such statutory reserves. Although Beijing Dajia, our Consolidated Affiliated Entities and their subsidiaries have no plan to pay any dividends in the foreseeable future, if they incur debt on their own behalf in the future, the instruments governing such debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

In addition, the PRC enterprise income tax law and its implementation rules provide that a withholding tax rate of 10% will be applicable to dividends payable by PRC companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC and governments of other jurisdictions in which the non-PRC-resident enterprises are incorporated. As of September 30, 2020, Beijing Dajia and our Consolidated Affiliated Entities (including their subsidiaries) had not paid any dividends and had no plan to pay any dividends in the foreseeable future.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

All of our executive Directors and executive officers reside within China, and substantially all of our assets are located within China. Therefore, it may be difficult for investors to effect service of process upon us or our executive Directors and officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

The heightened scrutiny over acquisition transactions by the 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.

Pursuant to the Notice on Strengthening the Administration on Enterprise Income Tax for Non-Resident Enterprise Equity Transfer (the “SAT Circular 698”) issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, and such overseas holding company is

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located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report such Indirect Transfer to the competent tax authority of the PRC resident enterprise. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

On February 3, 2015, the SAT issued the Bulletin 7. Bulletin 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698, but does not touch upon the other provisions of SAT Circular 698, which remain in force. Bulletin 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. Bulletin 7 extends its tax jurisdiction to not only Indirect Transfers set out under SAT Circular 698 but also transactions involving transfer of other taxable assets through offshore transfer of a foreign intermediate holding company. In addition, Bulletin 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10%, for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws and regulations if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

On October 17, 2017, SAT issued the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “**Bulletin 37**”), which, among others, repeals the SAT Circular 698 on December 1, 2017. Bulletin 37 further details and clarifies the tax withholding methods in respect of income of non-resident enterprises under SAT Circular 698, and certain rules stipulated in Bulletin 7 are replaced by Bulletin 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the Enterprise Income Tax, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the

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tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

There are uncertainties as to the application of Bulletin 7 and Bulletin 37. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or made any formal declaration as to the process and format for reporting an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. Bulletin 7 and Bulletin 37 may be determined by the tax authorities to be applicable to previous investments by non-resident investors in our Company, if any, if such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our existing non-resident investors may become at risk of being taxed under Bulletin 7 and Bulletin 37 and may be required to expend valuable resources to comply with Bulletin 7 and Bulletin 37 or to establish that we should not be taxed under Bulletin 7 and Bulletin 37, which may have a material and adverse effect on our financial condition and results of operations or such non-resident investors’ investments in us. We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. 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 Shares 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.

PRC regulations relating to offshore investment activities by PRC residents may limit our Consolidated Affiliated Entities’ ability to increase their registered capital or distribute profits to us and our ability to reinvest in our Consolidated Affiliated Entities and may otherwise expose us to liability and penalties under PRC law.

In July 2014, the SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (《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》) (“SAFE Circular 37”), which requires PRC residents or entities to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by the SAFE, local banks will

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examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015. If our Shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiary. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws and regulations for evasion of applicable foreign exchange restrictions. However, we may not at all times be fully aware or informed of the identities of all our Shareholders or beneficial owners that are required to make such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such Shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiary, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, and limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

The PRC Labor Contract Law, any labor shortages, increased labor costs or other factors affecting our labor force may adversely affect our business, profitability and reputation.

During the Track Record Period, we engaged third-party employment agencies to dispatch or outsource contract workers. On December 28, 2012, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**PRC Labor Contract Law**”) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, the number of dispatched contract workers that an employer hires may not exceed a certain percentage of our total number of employees, to be decided by the Ministry of Human Resources and Social Security and the dispatched contract workers may only engage in temporary, auxiliary or substitute work. According to the Interim Provisions on Labor Dispatch promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). The Interim Provisions on Labor Dispatch further requires the employer that is not in compliance with the above provisions to formulate a plan to reduce the number of its dispatched contract workers to below 10% of the total number of its employees before March 1, 2016. In addition, an employer is not permitted to hire any new dispatched contract worker until the number of its dispatched contract workers has been reduced to below 10% of the total number of its employees. In the Track Record Period, our total dispatched contract workers have not exceeded 10% of our total number of employees. However, the application and interpretation of these requirements under the amended PRC Labor Contract Law are limited and uncertain. If we decide to increase our number of dispatched workers in the future and were found to be in violation of the rules regulating dispatched contract workers, we may be subject to fines and penalties. Such penalties, and any labor shortages, increased labor costs or

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other factors affecting our labor force in relation thereto, may adversely affect our business, profitability and reputation. Further, labor disputes, work stoppages or slowdowns at our Company or any of our third-party service providers could significantly disrupt our daily operation or our expansion plans and have a material and adverse effect on our business.

Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies must submit applications to SAFE or its local branches for foreign exchange registration with respect to offshore special purpose companies. In the meantime, our Directors, executive officers and other employees who are PRC citizens or who are non-PRC residents residing in the PRC for a continuous period of not less than one year, subject to limited exceptions, and who have been granted incentive share awards by us, must follow the Circular on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Companies (“**SAFE Circular 7**”), promulgated by the SAFE in 2012. Pursuant to the SAFE Circular 7, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate 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 the PRC for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our Company becomes an overseas listed company upon the completion of the Global Offering. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital towards our PRC Holdcos and limit our PRC Holdcos’ 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.

The SAT has issued certain circulars concerning equity incentive awards. Under these circulars, our employees working in China who exercise share options or are granted restricted shares or restricted share units will be subject to PRC individual income tax. Our PRC Holdcos 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. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

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RISKS RELATED TO THE WVR STRUCTURE

Our proposed dual-class structure with voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Shares may view as beneficial.

Our authorized share capital will be divided into Class A Shares and Class B Shares immediately prior to the completion of the Global Offering. In respect of matters requiring the votes of Shareholders, holders of Class A Shares will be entitled to ten votes per share, while holders of Class B Shares will be entitled to one vote per share based on our proposed dual-class share structure, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote. We will issue Class B Shares in the Global Offering. Each Class A Share is convertible into one Class B Share at any time by the holder thereof, while Class B Shares are not convertible into Class A Shares under any circumstances. Upon any transfer of any Class A Shares by a holder hereof to any person who is not any of Mr. Su Hua and Mr. Cheng Yixiao or their respective affiliates, such Class A Shares shall be automatically and immediately converted into an equal number of Class B Shares.

Immediately after the completion of the Global Offering, Mr. Su Hua and Mr. Cheng Yixiao, being the co-founders and executive Directors of our Company, will beneficially own all of our issued Class A Shares, representing 69.63% 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 Underwriters do not exercise their Over-Allotment Option. For further details about our shareholding structure, see “Share Capital — Weighted Voting Rights Structure.”

After completion of the Global Offering, Mr. Su Hua and Mr. Cheng Yixiao will have considerable influence over matters requiring Shareholder approval, such as electing Directors and approving material mergers, acquisitions, or other business combination transactions. This concentration of voting power may discourage, delay, or prevent a change of 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 Shares. 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 B Shares may view as beneficial.

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RISKS RELATED TO THE GLOBAL OFFERING

There has been no prior public market for our Class B Shares and the liquidity and market price of our Class B Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our Class B Shares. There can be no guarantee that an active trading market for our Class B Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Class B Shares will be traded following the completion of the Global Offering. The market price of our Class B Shares may drop below the Offer Price at any time after completion of the Global Offering.

The trading price of our Class B Shares may be volatile, which could result in substantial losses to you.

The trading price of our Class B Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performances of and fluctuations in the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatilities in the price and trading volumes of our Class B Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the trading performance of our Class B Shares. These broad market and industry factors may significantly affect the market price and volatility of our Class B Shares, regardless of our actual operating performance.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial shareholders, could adversely affect the market price of our Class B Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Class B Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

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The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our Class B Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Class B Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Class B Shares they may own now or in the future. In addition, certain existing Shareholders of our Class B Shares are not subject to lock-up agreements. Market sale of Class B Shares by such Shareholders and the availability of these Class B Shares for future sale may have negative impact on the market price of our Class B Shares. See “History and Corporate Structure — Corporate Structure — Corporate structure immediately following the Global Offering” for more details of the existing Shareholders not subject to lock-up agreements.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Class B Shares is higher than the net tangible book value per Class B Share immediately prior to the Global Offering, purchasers of our Class B Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Class B Shares in the Global Offering may experience further dilution in their shareholding percentage.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this prospectus.

This prospectus, particularly “Industry Overview,” contains information and statistics relating to our industry. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Representatives, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our Class B Shares and trading volume could decline.

The trading market for our Class B Shares may 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 B Shares, the market price for our Class B Shares 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 of our Class B Shares to decline.

As we do not expect to pay dividends in the foreseeable future after the Global Offering, you must rely on price appreciation of our Class B Shares 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 B Shares 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 Board of 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, among other things, 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 B Shares will likely depend entirely upon any future price appreciation of our Class B Shares. There is no guarantee that our Class B Shares will appreciate in value after the Global Offering or even maintain the price at which you purchased the Class B Shares. You may not realize a return on your investment in our Class B Shares and you may even lose your entire investment in our Class B Shares.

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

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, a majority of our Directors and executive officers reside within China, and most of the assets of these persons are located within China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon these individuals, or to bring an action against us or against these individuals in Hong Kong in the event

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that you believe your rights have been infringed under the Hong Kong laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

Since we are incorporated under the Cayman Islands law, you may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Cayman Companies Act (2021 Revision) and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, actions by minority Shareholders and the fiduciary duties of our Directors to us under the 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 and Wales, 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 the Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong. Hong Kong has more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, the Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

Shareholders of Cayman Islands exempted companies like us have no general rights under the 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 the Cayman Islands law, the names of our current Directors can be obtained from a search conducted at the Registrar of Companies. Our Directors will have discretion under the Memorandum of Association and Articles of Association we expect to adopt, 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 resolution or to solicit proxies from other Shareholders in connection with a proxy contest.

As a result of all of the above, our public Shareholders of Class B Shares may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board of Directors or Controlling Shareholders than they would as public shareholders of a company incorporated in Hong Kong. For a discussion of significant differences between the provisions of the Cayman Companies Act (2021 Revision) and the laws applicable to companies incorporated in Hong Kong and their shareholders, see “Summary of the Constitution of our Company and Cayman Companies Act” in Appendix IV to this prospectus.

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You must rely on the judgment of our management as to the use of the net proceeds from the Global Offering, and such use may not produce income or increase the price of our Class B Shares.

Our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase the price of Class B Shares. The net proceeds from the Global Offering may be placed in investments that do not produce income or that lose value.

Waivers have been granted from compliance with certain requirements of the Listing Rules. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange and SFC has granted to us, a number of waivers from strict compliance with the Listing Rules. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance.” There is no assurance that the Hong Kong Stock Exchange or SFC will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES
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In preparation for the Listing, our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap set out in Chapter 14A of the Listing Rules for certain continuing connected transactions; and (iii) the requirement of limiting the term of certain continuing connected transactions to three years or less under Rule 14A.52 of the Listing Rules. For further details in this respect, see "Connected Transactions" in this prospectus.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in the PRC and the Company's head office is situated in Beijing, the PRC; (ii) our executive Directors and senior management team principally reside in the PRC; and (iii) the management and operations of the Company have mainly been under the supervision of our executive Directors and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group's businesses and it is important for them to remain in close proximity to the Group's operations located in the PRC, our Company considers that it would be more practical for our executive Directors and senior management to remain ordinarily resident in the PRC where the Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

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Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives:** we have appointed Mr. Su Hua (“**Mr. Su**”), an executive Director, Chairman of the Board, and Chief Executive Officer our Company, and Ms. So Ka Man (“**Ms. So**”), a joint company secretary, as the authorized representatives (“**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. Ms. So ordinarily resides in Hong Kong whereas Mr. Su ordinarily resides in the PRC, and Mr. Su possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. The Company will also inform the Stock Exchange promptly in respect of any change in the Authorized Representatives. See “Directors and Senior Management” for more information about our Authorized Representatives.

2. **Directors:** to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers, e-mail addresses, to the extent possible) of each of our Directors such that the Authorized Representatives would have the means for contacting all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that any Director expects to travel or otherwise be out of office, he will provide the phone number of the place of his accommodation to the Authorized Representatives. To the best of our knowledge and information, 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 after requested by the Stock Exchange.

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3. **Compliance advisor:** we have appointed China Renaissance Securities (Hong Kong) Limited as our compliance advisor (the “**Compliance Advisor**”) in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange. The Compliance Advisor will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

4. **Hong Kong legal advisor:** we will retain a Hong Kong legal advisor to advise us on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, the Company must appoint an individual, who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a Member of The Hong Kong Institute of Chartered Secretaries;

- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

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In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and;
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Jia Hongyi (“**Mr. Jia**”) as one of the joint company secretaries of the Company. See “Directors and Senior Management” for further biographical details of Mr. Jia.

Mr. Jia has over 10 years of experience in the legal industry. He joined the Company in December 2016 and since then has been the senior director of legal affairs of the Group. Mr. Jia has also been actively involved in the proposed Listing since its preparatory period. However, Mr. Jia personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Mr. Jia has extensive experience in the compliance and legal-related matters of the Group and is quite familiar with the Group’s businesses and operations. Although Mr. Jia does not possess the qualifications set out in Rule 3.28 of the Listing Rules, the Company considers that it is for the benefit of the Company to appoint Mr. Jia as one of the joint company secretaries of the Company.

The Company has also appointed Ms. So Ka Man (“**Ms. So**”), a fellow of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Mr. Jia for a period of three years from the Listing Date to enable Mr. Jia to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set out under Rules 3.28 and 8.17 of the Listing Rules.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
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The following arrangements have been, or will be, put in place to assist Mr. Jia in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

- (a) Ms. So, one of the joint company secretaries who meets all the requirements under Rule 3.28 of the Listing Rules, will assist Mr. Jia so that he is able to acquire the relevant knowledge and experience as required under the Listing Rules in order to discharge his functions as a joint company secretary. The Company has also appointed Ms. So as an authorized representative of the Company.
- (b) The Company undertakes to re-apply to the Stock Exchange for a waiver in the event that Ms. So ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary of our Company.
- (c) The Company will further ensure that Mr. Jia has access to the relevant training and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. The Company's Hong Kong legal advisors have provided training to Mr. Jia on the principal requirements of the Listing Rules and the Hong Kong laws and regulations applicable to the Company after its Listing. In addition, Mr. Jia will endeavor to familiarize himself with the Listing Rules, including any updates thereto, during the three-year period from the Listing Date.
- (d) Mr. Jia has confirmed that he will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of a company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules.

Our Company expects that Mr. Jia, having had the benefit of Ms. So's assistance during the three-year period, will acquire the qualifications and relevant experience required under Rule 3.28 of the Listing Rules prior to the end of the three-year period after the Listing.

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Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules on the following conditions:

- (a) Mr. Jia must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the three-year period; and.
- (b) the waiver will be revoked immediately if there are material breaches of the Listing Rules by the Company or if Ms. So, during the three-year period, ceases to provide assistance to Mr. Jia.

Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Jia, having had the benefit of Ms. So's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

**WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT TO
CHANGES IN SHARE CAPITAL**

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within two years immediately preceding the issue of this prospectus.

We have identified four entities that we consider are the major subsidiaries and Consolidated Affiliated Entities primarily responsible for the track record results of our Group (the "**Principal Entities**," and each a "**Principal Entity**"). For further details, see "History and Corporate Structure — Our Major subsidiaries and Operating Entities." Globally, our Group has approximately 80 subsidiaries and Consolidated Affiliated Entities, across 10 different jurisdictions. It would be unduly burdensome for our Company to disclose this information, which would not be material or meaningful to investors. By way of illustration, (a) for the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, the aggregate revenue of the Principal Entities represented approximately 99.0%, 99.6%, 99.1% and 95.8% of the Group's total revenues, respectively; and (b) as of December 31, 2017, 2018, 2019 and September 30, 2020, the aggregate assets of the Principal Entities represented approximately 57.3%, 53.6%, 72.8% and 51.0% of the Group's total assets, respectively. Accordingly, the remaining subsidiaries and Consolidated Affiliated Entities in our Group are not significant to the overall operations and financial results of the Group. Additionally, our non-Principal Entities do

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not hold major or material assets (save for passive financial products and equity investments of the Group), intellectual property rights or other major proprietary technologies or major research and development functions of the Group.

Particulars of the changes in the share capital of the Company and the Principal Entities have been disclosed in “Statutory and General Information — 1. Further Information about our Group — 1.2 Changes in the share capital of our Company” and “Statutory and General Information — 1. Further Information about our Group — 1.3 Changes in the share capital of our major subsidiaries and operating entities” in Appendix V to this prospectus.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Pursuant to Rule 4.04(1) of the Listing Rules, the accountant’s report contained in this prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Pursuant to section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, all prospectuses shall include the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and it sets out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Pursuant to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

Pursuant to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report by our Company’s auditor with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of the prospectus and assets and liabilities of the Company at the last date to which the financial statements of the Company were prepared.

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Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The accountant's report for each of the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 has been prepared and is set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set out above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2018, 2019 and 2020. However, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

- (a) this prospectus will be issued on or before January 26, 2021 and our Company be listed on the Stock Exchange on or before March 31, 2021 (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this prospectus);
- (b) we will include in this prospectus a loss estimate for the financial year ended December 31, 2020 in compliance with Rules 11.17 to 11.19 of the Listing Rules and a Directors' statement that, after performing all due diligence work which they consider appropriate, there is no material and adverse change to the financial and trading position or prospects of our Company, with specific reference to the trading results from October 1, 2020 to December 31, 2020;
- (c) our Company obtains a certificate of exemption from the SFC from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (d) we will publish the results announcement for the financial year ended December 31, 2020 by not later than March 31, 2021 and the annual report for the financial year ended December 31, 2020 by not later than April 30, 2021, respectively, in compliance with Rules 13.46(2) and 13.49(1) of the Listing Rules.

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An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption be set out in this prospectus; (ii) this prospectus be issued on or before January 26, 2021; and (iii) our Company be listed on the Stock Exchange on or before March 31, 2021 (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this prospectus).

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance have been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

- (a) there would not be sufficient time for our Company and the reporting accountants of our Company (the "**Reporting Accountants**") to finalize the audited financial statements for the year ended December 31, 2020 for inclusion in this prospectus. If the financial information for the year ended December 31, 2020 is required to be audited, our Company and the Reporting Accountants would have to carry out substantial volume of work to prepare, update and finalize the Accountant's Report and the prospectus, and the relevant sections of the prospectus will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended December 31, 2020 to be finalized in a short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional work and expenses involved and the delay of the Listing timetable;
- (b) Our Directors and the Joint Sponsors herein confirm that after performing all reasonable due diligence work which they consider appropriate, up to the date of prospectus, except to the extent disclosed in "Recent Development" in Summary section of this prospectus, there has been no material adverse change to the financial and trading positions or prospects of our Group since October 1, 2020 (immediately following the date of the latest audited statement of financial position in the accountant's report set out in Appendix I to this prospectus) up to December 31, 2020 and there has been no event

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which would materially affect the information shown in the accountant's report as set out in Appendix I to this prospectus, the Financial Information section, the Loss Estimate as set out in Appendix III to this prospectus and information regarding the Company's recent development subsequent to the Track Record Period and up to the Latest Practicable Date, since October 1, 2020;

- (c) our Company is of the view that the accountant's report covering the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, together with the loss estimate for the year ended December 31, 2020 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Joint Sponsors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, trading position, management and prospects included in this prospectus. Further, our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended December 31, 2020. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and

- (d) we will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company currently expects to issue our annual results and annual report for the financial year ended December 31, 2020 on or before March 31, 2021 and April 30, 2021, respectively. In this regard, our Directors consider that the Shareholders of our Company, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended December 31, 2020.

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WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO ESOP OF THE COMPANY

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 the 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 Part A of Appendix 1 to the Listing Rules requires the Company to set out in the 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. Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires the Company to set out in the prospectus, among other things, details of 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 certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

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As of the Latest Practicable Date, our Company had granted options under the Pre-IPO ESOP to 7,020 grantees, including Directors, senior management, connected persons and other employees of our Group, to subscribe for an aggregate of 626,184,514 Shares and a portion of the options corresponding to 363,146,799 Shares have been exercised (the “**Exercised Options**”)⁽¹⁾. As of the date of this prospectus, it is expected that 363,146,799 Class B Shares (the “**Listing Exercised Shares**”) will be issued to certain grantees, including our Directors, senior management and other employees of our Group upon Listing. Among these 363,146,799 Class B Shares, 166,588,008 Class B Shares will be issued to grantees other than our Directors, senior management and connected persons of our Group upon Listing. Save for the foregoing, no other Shares will be issued pursuant to the Pre-IPO ESOP and the Company expects to issue Class B Shares pursuant to the unexercised options under the Pre-IPO ESOP on a later date to be determined after Listing and in compliance with the requirements of the Listing Rules.

For further details of our Pre-IPO ESOP, see “Statutory and General Information — 4. Pre-IPO ESOP” in Appendix V to this prospectus. In addition, 7,015 grantees who are not Directors, members of the senior management or connected person of the Company have been granted options under the Pre-IPO ESOP with 423,633,599 underlying Shares. As of the Latest Practicable Date, 6,947 grantees who are not Director, members of the senior management and other connected person of the Company held an aggregate of 257,045,591 options that were still outstanding and unexercised. These 257,045,591 options will be exercisable in accordance with their vesting schedules after Listing. Details of such information are more particularly disclosed in “Statutory and General Information — 4. Pre-IPO ESOP” in Appendix V to this prospectus.

Notes:

As of the Latest Practicable Date:

- (1) five grantees who are Directors, members of our senior management and other connected person of the Company have been granted the options. Among these five grantees, (a) 62,660,286 options have been granted to Su Hua. Among these 62,660,286 options, 56,961,183 options have been exercised and 56,961,183 Class B Shares will be issued to Reach Best, the entire interest of which is held on trust established for the benefit of Su Hua and his family members, upon Listing pursuant to the terms and conditions of the Pre-IPO ESOP. The remaining 5,699,103 options remain outstanding and unexercised and will be exercisable in accordance with their vesting schedules after Listing; (b) 293,021 options granted to Yin Xin (a connected person of the Company) remained outstanding and unexercised and will be exercisable in accordance with their vesting schedules after Listing; and (c) options granted to other three grantees who are Directors and members of our senior management had been fully exercised and the corresponding Class B Shares will be issued upon Listing.
- (2) 6,947 grantees who are not Directors, members of senior management or other connected persons of the Company held an aggregate of 257,045,591 options that were still outstanding and unexercised as of the Latest Practicable Date. These 257,045,591 options will be exercisable in accordance with their vesting schedules after Listing. Among the 6,947 grantees who are not our Directors, members of senior management or other connected persons of the Company, two grantees held 9,599,183 and 6,416,370 options that were still outstanding and unexercised as of the Latest Practicable Date, respectively (the “**Significant Grantees**”).

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Our Company has 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, and paragraph 27 of Appendix 1A to, the Listing Rules and the condition to make available a full list of grantees with all the particulars required under paragraph 10(d) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules in relation to the options granted under the Pre-IPO ESOP; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the Pre-IPO ESOP, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- a. as of the Latest Practicable Date, (i) our Company has granted options under the Pre-IPO ESOP to 7,020 grantees, including our Directors, members of senior management and other connected person of the Company; (ii) a Director and a connected person held 5,699,103 and 293,021 outstanding and unexercised options; and (iii) 6,947 grantees who are not our Directors, members of senior management and other connected person of the Company held an aggregate of 257,045,591 outstanding and unexercised options. Strict compliance with the Share Option Disclosure Requirements in setting out full details of all the grantees who held outstanding and unexercised options under the Pre-IPO ESOP in the prospectus would be costly and unduly burdensome for the Company in light of a significant increase in cost and timing for information compilation and prospectus preparation;
- b. the disclosure of the personal details of each grantee, including the number of options granted, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for the Company to obtain such consents given the number of grantees;
- c. the grant and exercise in full of the options under the Pre-IPO ESOP will not cause any material adverse impact to the financial position of our Group;
- d. non-compliance with the Share Option Disclosure Requirements would not prevent the Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company; and

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- e. material information relating to the options under the Pre-IPO ESOP will be disclosed in this prospectus, including the total number of Class B Shares subject to the Pre-IPO ESOP, the exercise price per Class B Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO ESOP. The Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of the Company in their investment decision making process has been included in 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 will not prejudice the interests of the investing public.

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 Part A of Appendix 1 to the Listing Rules with respect to the options granted under the Pre-IPO ESOP on the condition that:

- a. on an individual basis, full details of the options granted under the Pre-IPO ESOP to each of the Directors, senior management and connected persons of the Company will be disclosed in the prospectus 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 options granted under the Pre-IPO ESOP to other grantees (other than those set out in (a) above) which remained outstanding and unexercised as of the Latest Practicable Date, disclosure will be made on an aggregate basis, categorized into lots based on the number of Class B Shares underlying each individual grant, being: (1) 1 to 4,999 Class B Shares; (2) 5,000 to 19,999 Class B Shares; and (3) 20,000 to 9,600,000 Class B Shares. For each lot of Class B Shares, the following disclosures will be made on an aggregated basis: (1) the aggregate number of grantees and number of Class B Shares underlying the outstanding and unexercised options under the Pre-IPO ESOP; (2) the dates of grant of the options under the Pre-IPO ESOP; (3) the consideration for the grant of options (if any) under the Pre-IPO ESOP; and (4) the exercise period and exercise price of the options granted under the Pre-IPO ESOP;
- c. as of the Latest Practicable Date, the aggregate number of Class B Shares underlying the options granted under the Pre-IPO ESOP, the percentage to the Company's total issued share capital represented by such number of Class B Shares and the percentage to the Company's voting rights represented by such number of Class B Shares underlying the options granted pursuant to the Pre-IPO ESOP will be disclosed in this prospectus;

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- d. the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Pre-IPO ESOP will be disclosed in “Statutory and General Information — 4. Pre-IPO ESOP” in Appendix V to this prospectus;
- e. a summary of the major terms of the Pre-IPO ESOP will be disclosed in “Statutory and General Information — 4. Pre-IPO ESOP” in Appendix V to this prospectus;
- f. the particulars of the waiver will be disclosed in this prospectus; and
- g. 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 agreed to grant 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 Pre-IPO ESOP on the condition that:

- a. on an individual basis, full details of the options under the Pre-IPO ESOP granted to each of our Directors, senior management and connected persons of our Company will be disclosed in the prospectus 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 options granted under the Pre-IPO ESOP to other grantees (other than those set out in (a) above) which remained outstanding and unexercised as of the Latest Practicable Date, disclosure will be made on an aggregate basis, categorized into lots based on the number of Class B Shares underlying each individual grant, being: (1) 1 to 4,999 Class B Shares; (2) 5,000 to 19,999 Class B Shares; and (3) 20,000 to 9,600,000 Class B Shares. For each lot of Class B Shares, the following disclosures will be made on an aggregated basis: (1) the aggregate number of grantees and number of Class B Shares underlying the outstanding and unexercised options under the Pre-IPO ESOP; (2) the dates of grant of the options under the Pre-IPO ESOP; (3) the consideration for the grant of options (if any) under the Pre-IPO ESOP; and (4) the exercise period and exercise price of the options granted under the Pre-IPO ESOP;
- c. the particulars of the exemption will be disclosed in this prospectus; and
- d. the prospectus is issued on or before January 26, 2021.

Further details of the Pre-IPO ESOP are set out in “Statutory and General Information — 4. Pre-IPO ESOP” in Appendix V to this prospectus.

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**WAIVER IN RESPECT OF COMPANIES AND BUSINESS TO BE ACQUIRED AFTER THE
TRACK RECORD PERIOD**

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

According to Note (4) to Rule 4.04 of the Listing Rules, the Stock Exchange may consider an application for a waiver from strict compliance with Rules 4.04(2) and 4.04 (4) taking into account the following:

- (i) all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of each acquisition are less than 5% by reference to the most recent financial year of the applicant’s trading record period;
- (ii) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the Commission in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (iii) (a) where a new applicant’s principal activities involve the acquisition of equity securities (the Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which rules 4.04(2) and 4.04(4) relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, “control” means the ability to exercise or control the exercise of 30% (or any amount specified in the Takeovers Code as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or

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- (b) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a discloseable transaction under rules 14.58 and 14.60 on each acquisition. In this regard, “unduly burdensome” will be assessed based on each new applicant’s specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target’s books and records for the purpose of complying with the disclosure requirements under rules 4.04(2) and 4.04(4)).

Acquisition of Company A and Company B

Company A

We propose to acquire the entire equity interest of Company A (the “**Proposed Acquisition of Company A**”) for a preliminary consideration of RMB850 million, which is expected to be settled in cash. The consideration is based on arm’s length negotiations between the original owners of Company A (the “**Original Owners of Company A**”) and us, taking into account a number of factors including the potential strategic alliance in the relevant business. We intend to use our internal resources to satisfy the cash consideration. As at the Latest Practicable Date, we have entered into a definitive agreement with the current owners of Company A and the completion of the Proposed Acquisition of Company A is subject to a number of customary closing conditions.

Company A is engaged in online payment service in the PRC. We believe that the Proposed Acquisition of Company A is aligned with our business and growth strategy, and it is expected that the Proposed Acquisition of Company A would enable our Group to facilitate online payment services to the Group’s customers. Completion of the Proposed Acquisition of Company A is expected to take place after the Listing.

Our Directors believe that the terms of the Proposed Acquisition of Company A are fair and reasonable and in the interests of the Shareholders as a whole. To the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, the Original Owners of Company A and their respective ultimate beneficial owners are third parties independent from our Company and its connected persons.

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According to the financial statements of Company A audited by Company A's statutory auditors in accordance with China Accounting Standards and Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the PRC (the "PRC GAAP"):

- (a) the total assets of Company A amounted to RMB404.8 million as of December 31, 2019, and its total revenues, profit before tax and profit after tax amounted to RMB102.2 million, RMB10.3 million and RMB10.3 million, respectively, for the year ended December 31, 2019; and
- (b) the total assets of Company A amounted to RMB345.6 million as of December 31, 2018, and its total revenues was RMB439.6 million for the year ended December 31, 2018 and it recorded loss before tax of RMB12.7 million and loss after tax of RMB15.1 million for the same period.

Company B

As of the Latest Practicable Date, we held 25.76% of the equity interest in Company B. We are now negotiating with Company B and propose to subscribe for additional newly-issued shares of Company B (the "**Proposed Acquisition of Company B**") for approximately RMB9 million so that upon completion of the Proposed Acquisition of Company B, we will hold 52.00% of the equity interest in Company B so that Company B will become a subsidiary of us.

The subscription price will be settled in cash, and is based on arm's length negotiation between Company B and us, taking into account a number of factors including the potential strategic alliance in the relevant business. We intend to use our internal resources to satisfy the subscription price.

Company B is engaged in design, development and operation of video-and-photography-tool-based social media. We believe that the Proposed Acquisition of Company B is complementary to our principal businesses.

Our Directors believe that the terms of the Proposed Acquisition of Company B are fair and reasonable and in the interests of our Shareholders as a whole. To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, Company B, other shareholders of Company B and their respective ultimate beneficial owners are third parties independent from our Company and its connected persons.

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According to the management accounts furnished by Company B prepared in accordance with the PRC GAAP:

- (a) the total assets of Company B amounted to RMB1.3 million as of December 31, 2019, and its total revenues was RMB2.0 million for the year ended December 31, 2019 and it recorded loss before tax of RMB7.7 million and loss after tax of RMB7.7 million for the same period; and
- (b) the total assets of Company B amounted to RMB1.6 million as of December 31, 2018, and its total revenues was RMB0.1 million for the year ended December 31, 2018 and it recorded loss before tax of RMB22.8 million and loss after tax of RMB22.8 million for the same period.

Conditions to the waivers granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 4.04(2) and 4.04(4) of the Listing Rules in respect of the Proposed Acquisition of Company A and the Proposed Acquisition of Company B on the following grounds:

1. The applicable percentage ratios of the Proposed Acquisition of Company A and the Proposed Acquisition of Company B are all less than 5% by reference to the most recent financial year of the Company's Track Record Period

The applicable percentage ratios for the Proposed Acquisition of Company A and the Proposed Acquisition of Company B are significantly less than 5% by reference to the most recent financial year of the Company's Track Record Period. Accordingly, we consider that the Proposed Acquisition of Company A and the Proposed Acquisition of Company B are immaterial and do not expect it to have any material effect on the financial condition of the Group.

2. The Proposed Acquisition will not be financed by the proceeds raised from the Global Offering

We will use our internal resources to satisfy the cash consideration payable by us in relation to the Proposed Acquisition of Company A and the Proposed Acquisition of Company B.

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3. The historical financial information of Company A and Company B is not available or would be unduly burdensome to obtain or prepare

Although we have entered into a definitive agreement with the Original Owners of Company A, we do not currently have any equity interest in Company A and do not have any representation at the board of directors of Company A and are therefore unable to compel Company A to disclose its historical financial information in the Company's prospectus. In addition, it will require considerable time and resources for us and our reporting accountants to fully familiarize with the management accounting policies of Company A and compile the necessary financial information and supporting documents for disclosure in our prospectus. As such, it would be impracticable within the tight timeframe for us to disclose the audited financial information of Company A as required under Rules 4.04(2) and 4.04(4) of the Listing Rules.

As of the Latest Practicable Date, the Company only held 25.76% of the equity interest in Company B, which is not consolidated into the financials of the Company. Company B does not have audited historical financial information which is readily available for disclosure in the prospectus in accordance with the Listing Rules. It would require considerable amount of time and resources for our Company and our reporting accountants to fully familiarize themselves with the management accounting policies of Company B and compile the necessary financial information and supporting documents for disclosure in our prospectus. As such, we believe that it would be impractical and unduly burdensome for us to disclose the audited financial information of Company B in the prospectus as required under Rule 4.04(2) and Rule 4.04(4)(a) of the Listing Rules.

In addition, considering that the Proposed Acquisition of Company A and the Proposed Acquisition of Company B are immaterial and are not expected to have any material effect on the financial condition of the Group, it would not be meaningful and would be unduly burdensome for us to prepare and include the financial information of Company A and Company B during the Track Record Period in our prospectus.

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4. Alternative disclosure in this prospectus

We have provided alternative information in this prospectus in connection with the Proposed Acquisition of Company A and the Proposed Acquisition of Company B required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules of the Proposed Acquisition of Company A and the Proposed Acquisition of Company B. Since the applicable percentage ratios for the Proposed Acquisition of Company A and the Proposed Acquisition of Company B are significantly less than 5% by reference to the most recent financial year of the Company's Track Record Period, the Company believes that the current disclosure in the prospectus is adequate for potential investors to form an informed assessment of the Group.

For the avoidance of doubt, the identities of Company A and Company B are not disclosed in this prospectus because (i) disclosure of the names of Company A and Company B in this prospectus is commercially sensitive and may jeopardize the Company's ability to consummate the proposed investment (including, for example, as a result of the Company's competitors approaching Company A and Company B with alternative investment proposals after seeing its name disclosed in our prospectus) and (ii) given the competitive nature of the industry in which the Company operates, it is commercially sensitive to disclose the identities of Company A and Company B to avoid our competitors anticipating our plans of business growth.

Investment in Our Ecosystem Partners

During the Track Record Period, our Group has made investments in a large number of companies both in mainland China and overseas (the "**Investments**"). These investee companies are generally members of the broader "ecosystem" related to our Group's core business, and provide products, services and/or resources that our Group believes can help them efficiently expand product and service offerings to our Group's users, or have developed proprietary technologies complementary to our Group. Our Group plans to continue to invest in businesses that are part of our Group's ecosystem and complementary to its business and growth strategies.

The majority of the Investments made by our Group have been passive investments, which are typically no more than 30% equity interest in the target companies, such that the target companies of the Investments are not consolidated into our Group and our Group has no control over the board of directors of the target companies.

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Since September 30, 2020 (being the date to which its latest audited accounts will be made up in the final prospectus of the Company) and up to the Latest Practicable Date, the Group has made or proposed to make a number of investments, details of which are set out in below:

No.	Name of the target company	Investment amount	Percentage of shareholding/equity interest	Principal business of the target company	Basis for determining the investment amount
1.	Company 1	approximately RMB112.4 million (including approximately RMB58.4 million for acquisition of shares from Company 1's existing shareholders and RMB54.0 million for subscription of new shares of Company 1)	8.09% (including 5.09% acquired from Company 1's existing shareholders and 3.00% through the subscription of new shares of Company 1)	MCNs that work with content creators and offer them assistance in areas such as audience development, content programming, creator collaborations, digital rights management, monetization and sales	With reference to the trading price of similar listed companies and price-to-sales (P/S) ratio
2.	Company 2	RMB90.375 million	10%	Designing, research and development of chips	With reference to the transaction price of similar companies and taking into account the potential synergistic effect
3.	Company 3	RMB10.35 million	17.95%	Developing and operating content-based community app	Based on arm's length negotiation
4.	Company 4	RMB40 million	25%	Developing online music and dance games	With reference to the post-money valuation of Company 4's last-round financing and valuation of comparable companies
5.	VSPN (Versus Programming Networks)	Approximately RMB70 million	1.13%	Esports solutions provider	With reference to price-to-sales (P/S) ratio

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No.	Name of the target company	Investment amount	Percentage of shareholding/equity interest	Principal business of the target company	Basis for determining the investment amount
6.	Company 5	Prior to this investment, the Company had already held 12.0% equity interest in Company 5. The Company proposes to invest another RMB25 million for Company 5's newly-issued shares in this follow-on investment after the Track Record Period. The Company's aggregate investment amount in Company 5 will be approximately RMB67.58 million upon completion of this follow-on investment.	Prior to this investment, the Company had already held 12.0% equity interest in Company 5. The Company will subscribe for certain new shares to be issued by Company 5 in this follow-on investment after the Track Record Period. The Company's aggregate shareholding percentage in Company 5 will be approximately 16.39% upon completion of this follow-on investment.	Developing an AI-backed learning platform to supplement students' education needs outside of school and providing innovative learning resources to help students improve learning outcome	Real options valuation method
7.	Company 6	RMB4.08 million	2%	Developing, manufacturing and selling of Internet of Things-based smart learning hardware	With reference to price-to-sales (P/S) ratio and taking into account the revenue forecast of the target company

(1) The percentage of shareholding/equity interest represents our total pro forma shareholding in each of the investments after the completion of the above investments.

Each of the above investments (“**Post-TRP Investments**”) will be settled in cash. The investment amounts for the Post-TRP Investments are the result of commercial arm's length negotiations, based on factors including market dynamics and/or mutually agreed valuations. To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, the counterparties to the transactions set out above and their ultimate beneficial owners are third parties independent from the Company and its connected persons.

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The reasons for the Post-TRP Investments are to further expand members of the broader “ecosystem” related to the Group’s core business such that the Group could create strategic synergy and provide products, services and/or resources that the Group believes can help them efficiently expand product and service offerings to the Group’s users, or have developed proprietary technologies complementary to the Group.

Conditions to the waivers granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 4.04(2) and 4.04(4) of the Listing Rules in respect of the Post-TRP Investments:

1. Ordinary and usual course of business

Making equity investments of this nature is part of the ordinary course of business of our Group. Our Company has conducted over 40 Investments to date. Most of such Investments are classified as financial assets carried at fair value through profit or loss and are not consolidated into our Group’s financial statements. Changes in the fair value are included in profit or loss in the period in which they arise and presented within “Fair value changes on investments” in the income statement. Upon disposal, the difference between the net sale proceeds and the carrying amount is also included in the income statement as “Other gains/(losses), net.”

2. The percentage ratios of each investment are all less than 5% by reference to the most recent financial year of our Company’s Track Record Period

The applicable percentage ratios for each of the Post-TRP Investments are all significantly less than 5% by reference to the most recent financial year of our Company’s Track Record Period, and any subsequent investments are also expected to be so. To the best knowledge of our Company, the Investments are not subject to aggregation under Rule 14.22 of the Listing Rules. Accordingly, we consider that the Post-TRP Investments are immaterial and do not expect them to have any material effect on the financial condition of the Group.

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3. The Post-TRP Investments will not be financed by the proceeds raised from the Global Offering

We will use our internal resources to satisfy the cash consideration payable by us in relation to the Post-TRP Investments.

4. The Company is neither able to exercise any control, nor has any significant influence, over the underlying company or business

We only hold minority equity interests in each of the target companies of the Post-TRP Investments and do not control their boards of directors; and this is expected to remain the case for any subsequent investments. Given that our Group is neither able to exercise any control nor have any significant influence over each of the target companies of the Post-TRP Investments, we would not be able to compel or request the target companies of the Post-TRP Investments to cooperate with its audit work in order for us to comply with the relevant requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

5. Alternative disclosure in this prospectus

We have disclosed above the reasons for the Post-TRP Investments and confirmed that the counterparties and their respective ultimate beneficial owners are independent of the Company and the Company's connected persons.

For the avoidance of doubt, the names of certain companies that are the subject of the Post-TRP Investments are not disclosed in the prospectus because (i) disclosure of the names of the relevant companies in the prospectus is commercially sensitive and may jeopardize our ability to consummate the proposed investments; and (ii) given the competitive nature of the industry in which we operate, it is commercially sensitive to disclose the identities of the companies we invested or propose to invest in to avoid our competitors to anticipate our plans of business growth.

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WAIVER FROM PRINTED PROSPECTUSES

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

We do not intend to provide printed copies of the prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. The proposed waiver from the requirements to make available printed copies of the prospectus is in line with recent amendments to the Listing Rules relating to environmental, social and governance (“ESG”) matters. As the Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters “echo the increasing international focus on climate change and its impact on business.” Electronic, in lieu of printed prospectuses and printed copies of any application forms, will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. It is further noted that in July 2020, the Stock Exchange also published a consultation paper in relation to the introduction of a paperless listing and subscription regime.

Given the high and extensive use of internet gadgets (e.g. smartphones, tablet devices and computers) and easy access to internet services nowadays, it is noted that most applications in Hong Kong public offerings of recent initial public offerings (both in terms of the number of applications and the number of shares applied) were submitted electronically, instead of in paper format.

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

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Accordingly, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 12.04(3), Rule 12.07 and Rule 12.11 of the Listing Rules in respect of the availability of copies of the prospectus in printed form based on our specific and prevailing circumstances.

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

Our Hong Kong Share Registrar has implemented enhanced measures to support the **White Form eIPO** service, including increasing its server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process. Details of the telephone hotline and the application process have been disclosed in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In addition, our Hong Kong Share Registrar will create a step-by-step guide setting out the steps for payment and completion of application for the retail investors, as well as FAQs to address potential questions from the retail investors in relation to the Hong Kong Public Offering and the electronic application channels. The guide and FAQs will be available in both English and Chinese and will be displayed on the **White Form eIPO** service's website.

We will adopt additional communication measures to inform the potential investors that they can only subscribe for the Hong Kong Offer Shares electronically, including (i) a prominent reminder to the investors about the fully-electronic offering process will be set out in the "Important" page of this prospectus and the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus; (ii) publishing a formal notice of the Global Offering on the Company's website and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription; (iii) the enhanced support provided by the Hong Kong Share Registrar and the **White Form eIPO** Service Provider in relation to the Hong Kong Public Offering (including additional enquiry hotlines for questions about the application for the Hong Kong Offer Shares and increasing its server capacity); and (iv) issuing a press release to remind investors that no printed prospectuses or application forms will be provided.

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**WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES
AND WRITTEN CONSENT UNDER PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING
RULES IN RELATION TO ALLOCATION TO EXISTING MINORITY SHAREHOLDERS
AND/OR THEIR CLOSE ASSOCIATES**

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which 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 Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

The conditions in Rules 10.03(1) and (2) of the Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Certain existing minority shareholders of the Company (the “**Existing Minority Shareholders**”) and/or their close associates will participate in the Global Offering as cornerstone investors or placees in the placing tranche.

We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit us to allocate the Offer Shares in the placing tranche to the Existing Minority Shareholders and/or their close associates either as cornerstone investors or placees, on the following grounds which are consistent with the conditions as set out in the Stock Exchange Guidance Letter 85-16 (HKEX-GL85-16):

- (a) **Less than 5%:** Each Existing Minority Shareholder holds less than 5% of the Company’s voting rights prior to the completion of the Global Offering.

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- (b) **Not core connected persons:** The Existing Minority Shareholders and their close associates are not, and will not be, core connected persons (as defined under the Listing Rules) of the Company or any close associate (as defined under the Listing Rules) of any such core connected person immediately prior to or following the Global Offering.
- (c) **No right to appoint Directors:** The Existing Minority Shareholders have no power to appoint Directors of the Company (other than as a Shareholder of the Company) and do not have other special rights.
- (d) **No impact on public float:** As the Existing Minority Shareholders are not connected persons to the Company, the Offer Shares to be held by the Existing Minority Shareholders and/or their close associates would be part of the public. Thus, allocation to the Existing Minority Shareholders and/or their close associates for which this submission is sought will not affect the Company's ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules.
- (e) **Disclosure:** The relevant information in respect of the allocation to such Existing Minority Shareholders and/or their close associates will be disclosed in this prospectus and/or the allotment results announcement.

If the Existing Minority Shareholders and/or their close associates participate in the Global Offering as a placee

- (f) The Joint Sponsors, the Company and the Joint Bookrunners will confirm to the Stock Exchange that the Existing Minority Shareholders and/or their close associates will not receive any preferential treatment in the allocation as a placee under the Global Offering.

If the Existing Minority Shareholders and/or their close associates participate in the Global Offering as a cornerstone investor

- (g) The Offer Shares to be subscribed by and allocated to the Existing Minority Shareholders and/or their close associates under the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors (including being subject to a six-month lock-up arrangement following Listing).

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- (h) The Joint Sponsors (based on their discussions with the Company and the Joint Bookrunners and the confirmation from the Company in paragraph (i) below, and to their best knowledge and belief) will confirm to the Stock Exchange in writing that they have no reason to believe that the Existing Minority Shareholders or their close associates have received any preferential treatment in the allocation as cornerstone investors by virtue of their relationships with the Company other than the preferential treatment of assured entitlement under a cornerstone investment agreement following the principles set out in Guidance Letter HKEX-GL51-13 (“**GL51-13**”).

- (i) The Company confirms to the Stock Exchange in writing that (a) no preferential treatment has been, or will be, given to the Existing Minority Shareholders and/or their close associates who are cornerstone investors by virtue of their relationships with the Company other than the preferential treatment of assured entitlement under a cornerstone investment agreement following the principles set out in GL51-13; and (b) the cornerstone investment agreements entered into between the Company and the Existing Minority Shareholders and/or their close associates who are cornerstone investors do not contain any material terms which are more favorable to the Existing Minority Shareholder and/or their close associates who are cornerstone investors than those in other cornerstone investment agreements.

WAIVER IN RESPECT OF CLAWBACK MECHANISM

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 offered in the Global Offering if certain prescribed total demand levels are reached.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of Class B Shares under the Hong Kong Public Offering shall not be less than 2.5% of the Global Offering, in the event of over-subscription, the Joint Representatives, shall apply a clawback mechanism following the closing of the application lists with reference to the final offering size of the Global Offering (assuming the Over-allotment Option is not exercised) based on the Offer Price determined on the Price Determination Date.

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

- (1) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 13 times or more but less than 48 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 18,261,000 Class B Shares, representing approximately 5% of the Offer Shares initially available under the Global Offering;
- (2) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 48 times or more but less than 95 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 20,087,100 Class B Shares, representing approximately 5.5% of the Offer Shares initially available under the Global Offering; and
- (3) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 95 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 21,913,200 Class B Shares, representing approximately 6% of the Offer Shares initially available under the Global Offering.

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

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

See “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus 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) (as amended) and the Listing Rules for the purpose of giving information to the public with regards to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. 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 in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING, STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING AND PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

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

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer 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.

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”, and the procedures for applying for the Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” and in the **GREEN** Application Form.

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UNDERWRITING

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 set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. 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 us and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Friday, January 29, 2021, subject to the Offer Price being agreed.

If, for any reason, our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Tuesday, February 2, 2021, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE CLASS B 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 Class B Shares to, confirm that he/she is aware of the restrictions on offers of 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 in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, 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 offering 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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Class B Shares in issue (including the Class B Shares on conversion of the Preferred Shares) and the Class B Shares to be issued pursuant to the (i) Global Offering, (ii) the exercise of the Over-allotment Option, (iii) the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme and (iv) conversion of Class A Shares into Class B Shares on a one to one basis/the Class B Shares that are issuable upon conversion of the Class A Shares.

No part of our Company's Shares 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 in the near future. All the Class B Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE CLASS B SHARES

Dealings in the Class B Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, February 5, 2021. The Class B Shares will be traded in board lots of 100 Class B Shares each. The stock code of the Class B Shares will be 1024.

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 B 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 the Stock Exchange.

ADMISSION OF THE CLASS B SHARES INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Class B Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Class B 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 HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business 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 advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All necessary arrangements have been made enabling the Class B Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Class B Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong branch register of members of our Company in Hong Kong. Dealings in the Class B Shares will be subject to Hong Kong stamp duty. Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Class B 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.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in, our Class B Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors 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 or disposal of, dealing in, or the exercise of any rights in relation to, our Class B Shares.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations 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: (a) the conversion between Hong Kong dollars and Renminbi was made at the rate of HK\$1.1957 to RMB1.00; (b) the conversion between Hong Kong dollars and U.S. dollars was made at the rate of HK\$7.7536 to US\$1.00; and (c) the translation between Renminbi and U.S. dollars was made at the rate of RMB6.4845 to US\$1.00. The HK\$ to RMB, HK\$ to US\$ and RMB to US\$ exchange rates are quoted by the People's Bank of China for foreign exchange transactions prevailing on January 18, 2021. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities, enterprises (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese names will prevail.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place.

Any discrepancies between totals and sums of amounts listed in any table or chart are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. SU Hua (宿華)	Room 2009 Building 12 Huaqing Jiayuan Haidian District Beijing the PRC	Chinese
Mr. CHENG Yixiao (程一笑)	609, Unit 6 Building 1 3 Yumin Street Shunyi District Beijing the PRC	Chinese
<i>Non-executive Directors</i>		
Mr. LI Zhaohui (李朝暉)	No. 1710, Block 2 2 Anhui Dongli Chaoyang District Beijing the PRC	Chinese
Mr. ZHANG Fei (張斐)	2/F No. 16 Siena One Discovery Bay Lantau Island Hong Kong	Chinese
Dr. SHEN Dou (沈抖)	Damazhuangcun, Xinzhuangyingxiang Hanshan District Handan Hebei Province the PRC	Chinese
Mr. LIN Frank (林欣禾) (alias LIN Frank Hurst)	1001, Tower W2 Beijing Oriental Plaza 1 East Chang An Avenue Beijing the PRC	American

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. WANG Huiwen (王慧文)	No. 1501, Building 7 4 Laiguangying West Road Chaoyang District Beijing the PRC	Chinese
Mr. HUANG Sidney Xuande (黄宣德)	China Central Place Apt H-907 89 Jianguo Road Beijing the PRC	American
Mr. MA Yin (馬寅)	No. 603, Gate 1 Building 11, Meifuyuan Xinkai Road, Hedong District Tianjin the PRC	Chinese

For more information on our Directors, see “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Merrill Lynch Far East Limited

55/F, Cheung Kong Center
2 Queen’s Road Central
Central, Hong Kong

China Renaissance Securities (Hong Kong) Limited

Units 8107-08
Level 81, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators,
Joint Bookrunners and
Joint Lead Managers

Morgan Stanley Asia Limited

(Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager in relation to Hong Kong Public Offering only)

46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Morgan Stanley & Co. International plc

(Joint Bookrunner and Joint Lead Manager in relation to International Offering only)

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Merrill Lynch (Asia Pacific) Limited

55/F, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

China Renaissance Securities (Hong Kong) Limited

Units 8107-08
Level 81, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Joint Bookrunners and
Joint Lead Managers

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central
Hong Kong

ICBC International Capital Limited

(Joint Bookrunner only)
37/F ICBC Tower
3 Garden Road, Hong Kong

ICBC International Securities Limited

(Joint Lead Manager only)
37/F ICBC Tower
3 Garden Road, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Haitong International Securities Company Limited

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

CMB International Capital Limited

45/F Champion Tower
3 Garden Road
Central
Hong Kong

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Futu Securities International (Hong Kong) Limited

Unit C1-2, 13/F, United Centre
No. 95 Queensway, Hong Kong

Legal Advisors to Our Company

As to Hong Kong and U.S. law:

Latham & Watkins LLP

18th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

As to PRC law:

Haiwen & Partners

20/F, Fortune Financial Center
5 Dong San Huan Central Road, Chaoyang District
Beijing 100020
China

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to the Underwriters	<p><i>As to Hong Kong and U.S. law:</i></p> <p>Clifford Chance 27th Floor, Jardine House 1 Connaught Place, Central Hong Kong</p> <p><i>As to PRC law:</i></p> <p>Commerce & Finance Law Offices 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing 100022 China</p> <p>10/F, Tower 1 Jing An Kerry Centre 1515 West Nanjing Road Shanghai 200040 China</p>
Reporting Accountant and Auditor	<p>PricewaterhouseCoopers <i>Certified Public Accountants</i> <i>Registered Public Interest Entity Auditor</i> 22/F, Prince's Building Central Hong Kong</p>
Industry Consultant	<p>Shanghai iResearch Co., Ltd., China 7th Floor, Tower B CCIG International Plaza 333 North Caoxi Road Shanghai PRC</p> <p>3rd Floor, Tower B Phase II SOHO 9 Guanghua Road, Chaoyang District Beijing PRC</p>

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving Banks

Bank of China (Hong Kong) Limited

1 Garden Road
Hong Kong

Standard Chartered Bank (Hong Kong) Limited

18/F Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited

33/F, ICBC Tower, 3 Garden Road
Central, Hong Kong

Compliance Advisor

China Renaissance Securities (Hong Kong) Limited

Units 8107-08
Level 81, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands
Head Office and principal place of business in the PRC	Building 1, No. 6, Shangdi West Road Haidian District Beijing PRC
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's website	<u>www.kuaishou.com</u> <i>(The contents on this website do not form part of this prospectus)</i>
Joint Company Secretaries	Mr. JIA Hongyi (賈弘毅先生) Building 1, No. 6, Shangdi West Road Haidian District Beijing PRC Ms. SO Ka Man (蘇嘉敏女士) (FCG, FCS) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Mr. SU Hua (宿華先生) Room 2009 Building 12 Huaqing Jiayuan Haidian District Beijing PRC Ms. SO Ka Man (蘇嘉敏女士) (FCG, FCS) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Huang Sidney Xuande (<i>Chairman</i>) Mr. Wang Huiwen Mr. Ma Yin
Remuneration Committee	Mr. Huang Sidney Xuande (<i>Chairman</i>) Mr. Su Hua Mr. Wang Huiwen Mr. Ma Yin Mr. Li Zhaohui
Nomination Committee	Mr. Wang Huiwen (<i>Chairman</i>) Mr. Cheng Yixiao Mr. Ma Yin Mr. Zhang Fei Mr. Huang Sidney Xuande
Corporate Governance Committee	Mr. Wang Huiwen (<i>Chairman</i>) Mr. Huang Sidney Xuande Mr. Ma Yin
Principal share registrar	Maples Fund Services (Cayman) Limited PO Box 1093 Boundary Hall, Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong
Principal bankers	China Merchants Bank, Beijing Branch Zhonghai Caifu Center 96 Taipingqiao Street Xicheng District Beijing PRC

INDUSTRY OVERVIEW

This section contains certain information, statistics and data which are derived from different official government publications, available sources from public market research and other sources from independent suppliers. The information from official government publications, available sources from public market research and other sources from independent suppliers may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. However, other than iResearch, neither we nor any other party involved in the Global Offering have independently verified such information, and neither we nor any other party involved in the Global Offering are giving any representation as to the accuracy or completeness of such information. As such, investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set out in this section or similar information included elsewhere in this prospectus. For a discussion of risks relating to our industry, see “Risk Factors — Risks Related to Our Business.”

SOURCE OF INFORMATION

We commissioned iResearch to conduct market research concerning the short video and live streaming industry. We believe that iResearch has specialized research capabilities and experience in this industry in China. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the iResearch Report. All references to DAUs in this section refer to daily active users by unique mobile device.

The iResearch Report

iResearch is an independent market intelligence provider that provides market research, information and advice to companies in various industries, including the short video and live streaming industry. We have agreed to pay a commission fee of approximately RMB960,000 for the iResearch Report. The iResearch Report was compiled using both primary and secondary research conducted in China. The primary research involved expert interviews and company interviews. The secondary research utilized information and statistics published by government departments, industry associations, publications and studies by industry experts, public company annual and quarterly reports, iResearch’s other research reports, online resources and data from iResearch’s research database.

iResearch’s projection on the size of each of the related markets in China takes into consideration various factors, including (i) historical market size data, (ii) the public filings of, and other publicly available information regarding, short video and live streaming-based social platforms, and those companies’ projections of the related industries from iResearch’s interviews or communications with them, (iii) the projections of other industry experts, and (iv) iResearch’s views and estimates of industry developments. iResearch has prepared the iResearch Report on the assumptions that (i) the social, economic and political environments of China will remain stable during the forecast period, which ensures a sustainable and steady development of China’s mobile internet industry, (ii) the data quoted from authoritative agencies remains unchanged, (iii) related

INDUSTRY OVERVIEW

key industry drivers remain relevant and applicable in the forecast period, and (iv) there will be no subversive changes to the related industries. The reliability of the iResearch Report may be affected by the accuracy of the foregoing assumptions and factors.

Directors' Confirmation

Our Directors have confirmed, after making reasonable inquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the iResearch Report, which may qualify, contradict or impact the information in this Industry Overview section.

INCREASING MOBILE TIME SPENT ON VIDEO

Video is an increasingly popular content format for online experiences as it captures the richness of moments and makes real-time engagement more natural and close to in person. The proliferation of the mobile internet and development of smart devices, bandwidth and mobile infrastructure, particularly the expansion of 4G and introduction of 5G, will continue to spur this development.

As a new and evolving content format, video is capturing the attention of mobile internet users globally. According to iResearch, globally, mobile internet users on average spent 3.37 hours online each day in 2019, and are expected to spend 3.90 hours online each day by 2025. Approximately 23.5% of that time was spent on video-based social and entertainment platforms in 2019, which is expected to reach 32.8% by 2025.

China is leading the development of video-based mobile experiences globally. According to iResearch, China had the world's largest mobile internet population of 873 million users in 2019, representing 23.0% of mobile internet users globally. According to iResearch, China's mobile internet user population is expected to reach 1.1 billion by 2025, with penetration rate increasing from 62.4% to 78.5%.

China mobile internet user population and mobile internet penetration, 2015A-2025E

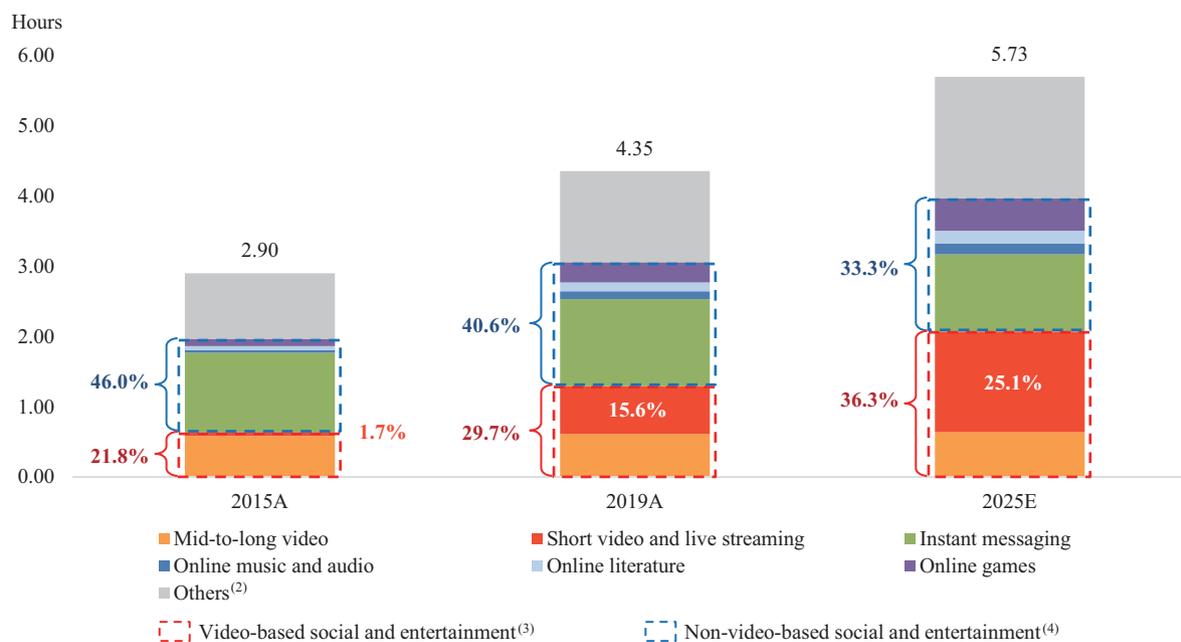
	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Mobile internet users (in millions)	620	695	753	817	873	943	995	1,038	1,076	1,109	1,137
Mobile internet penetration rate (%)	45.3%	50.6%	54.4%	58.8%	62.4%	66.9%	70.2%	72.8%	75.0%	77.0%	78.5%

Source: iResearch (2015A-2019A data based on CNNIC)

Mobile internet users in China on average spent 4.35 hours online each day in 2019, compared to 2.90 hours in 2015, and are expected to spend 5.73 hours online each day by 2025. Approximately 29.7% of that time was spent on video-based social and entertainment platforms in 2019, which is expected to reach 36.3% by 2025.

INDUSTRY OVERVIEW

China mobile internet users' average daily time spent online by core app function⁽¹⁾, 2015A vs. 2019A vs. 2025E



Source: iResearch

- (1) Average daily time spent by device.
- (2) Including news, e-commerce, local services, tools and utility apps, etc.
- (3) Including mid-to-long video, short video and live streaming.
- (4) Including instant messaging, online music and audio, online literature, and online games.

EMERGENCE OF VIDEO-BASED SOCIAL PLATFORMS

The earliest social platforms focused around connecting people through text, pictures and audio. Over time, the content formats used on social platforms and user behavior on those platforms have evolved along with the continuous advancement of hardware, bandwidth, storage and computing power. The continued proliferation of better on-device cameras and faster connectivity in 4G and 5G mobile broadband have made on-demand video capturing and sharing a reality for many internet users. As video is able to capture moments in a real, rich and succinct manner, it has encouraged entirely new social behaviors. This has also enabled innovation in form and function of video such as videos of varying lengths that cater to different social and entertainment needs during fragmented time. As a result, for social platforms, interactions have become more vibrant and natural, with video content augmenting the authenticity of the connections. This is especially true with live streaming as social interaction becomes even more natural.

Two notable forms of video that are gaining popularity on social platforms are short video and live streaming. Led by China, short video and live streaming gained traction in 2012 and 2009, respectively, according to iResearch. Short video addresses users' need for social entertainment activity during their fragmented time while live streaming addresses users' need to be social and engage in real time. According to iResearch, average share of mobile internet users' daily time

INDUSTRY OVERVIEW

spent on short video and live streaming on short video and live streaming platforms has increased from 1.7% in 2015 to 15.6% in 2019, and is expected to reach 25.1% by 2025 in China. Global social and content platforms have tried to capture this trend. Today, global leading social and content platforms use short video and live streaming, in addition to text, pictures and audio, to deliver a highly engaging and interactive experience for users.

Key drivers for short video and live streaming-based social platforms include:

- *Rising mobile internet penetration and advancements in mobile infrastructure* continue to drive the growth of the mobile internet population and enable people to consume and share more digital content conveniently at a lower cost;
- *Better engagement through short video and live streaming*, compared to text, pictures and audio-based content. Short video and live streaming content is a vivid combination of visual, sound and motion that facilitates a more interactive experience, allowing these forms of content to gain significant popularity in recent years;
- *Increasing ease and lower cost of content creation*, which are driven by the rising penetration of smart mobile devices and advanced technology applied to mobile apps, democratize content creation for users and enhance the quality and quantity of video content; and
- *Needs for self-expression and social recognition* are better fulfilled through short video and live streaming as they convey real, rich and dynamic content and are easy to share and consume.

Short Video

Short videos are rich and succinct, which makes them suitable for addressing users' fragmented time. They are easy to produce and consume and can be readily shared, which gives them the potential to go viral. These characteristics enable short video platforms to benefit from a strong degree of virality and network effects.

Short videos are a global phenomenon. Apps based on short videos have emerged and social platforms have incorporated short videos into their user experiences.

The rapid development of short video has been led by China. It had the world's largest user base of short video, representing approximately 80% of users of short video platforms globally in 2019, according to iResearch. Short video users in China are expected to continue to grow at a fast pace primarily due to the suitability of short videos to address users' fragmented time, although the rate of such growth is expected to moderate as the user base expands as a percentage of overall mobile internet users. Average DAUs of short video platforms in China reached 495.7 million in 2019 and is expected to reach 899.9 million by 2025, with average daily time spent per DAU on the platforms increasing from 67.0 minutes in 2019 to 110.2 minutes in 2025.

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The following table sets forth China short video platform average DAUs and average daily time spent per DAU for the periods indicated:

China short video platform average DAUs and average daily time spent per DAU, 2015A-2025E

	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2015A-2019A CAGR	2019A-2025E CAGR
Short video platform average DAUs (in millions)	31.8	43.1	142.4	351.8	495.7	629.4	713.1	773.7	821.7	861.9	899.9	98.6%	10.4%
Average daily time spent per DAU (minutes) . . .	41.6	46.0	51.9	58.7	67.0	84.3	93.2	99.2	103.7	107.3	110.2	12.7%	8.6%

Source: *iResearch*

Live Streaming

Live streaming enables real-time video engagement and is a highly social form of content. Users can interact with each other in real time and discover and participate in a broad range of activities, such as games, music shows and outdoor activities. Users on live streaming platforms are able to create and share various content and enjoy an interactive and immersive experience. The proliferation of smartphones in recent years has ignited the popularity of live streaming globally as anyone can easily participate as either a streamer or a viewer.

Globally, live streaming platforms started garnering widespread attention and validation from 2010 through the live streaming of shows, and then later through other social and entertainment use cases.

China has led the rapid commercialization of live streaming globally. It had the world's largest user base of live streaming, representing approximately 50% of users of live streaming platforms globally in 2019, according to *iResearch*. Live streaming users in China are expected to continue to grow at a fast pace due to the highly social, interactive and immersive nature of live streaming, although the rate of such growth is expected to moderate as the user base expands. Live streaming platform average DAUs in China reached 213.4 million in 2019 and is expected to reach 512.8 million by 2025, with average daily time spent per DAU increasing from 33.2 minutes in 2019 to 51.9 minutes in 2025.

The following table sets forth China live streaming platform average DAUs and average daily time spent per DAU for the periods indicated:

China live streaming platform average DAUs and average daily time spent per DAU, 2015A-2025E

	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2015A-2019A CAGR	2019A-2025E CAGR
Live streaming platform average DAUs (in millions)	35.7	56.5	93.1	135.1	213.4	304.5	355.6	401.7	442.1	479.3	512.8	56.4%	15.7%
Average daily time spent per DAU (minutes) . . .	19.5	23.1	26.4	29.8	33.2	35.7	39.2	42.8	46.5	49.6	51.9	14.2%	7.7%

Source: *iResearch*

INDUSTRY OVERVIEW

Landscape of Video-Based Social Platforms

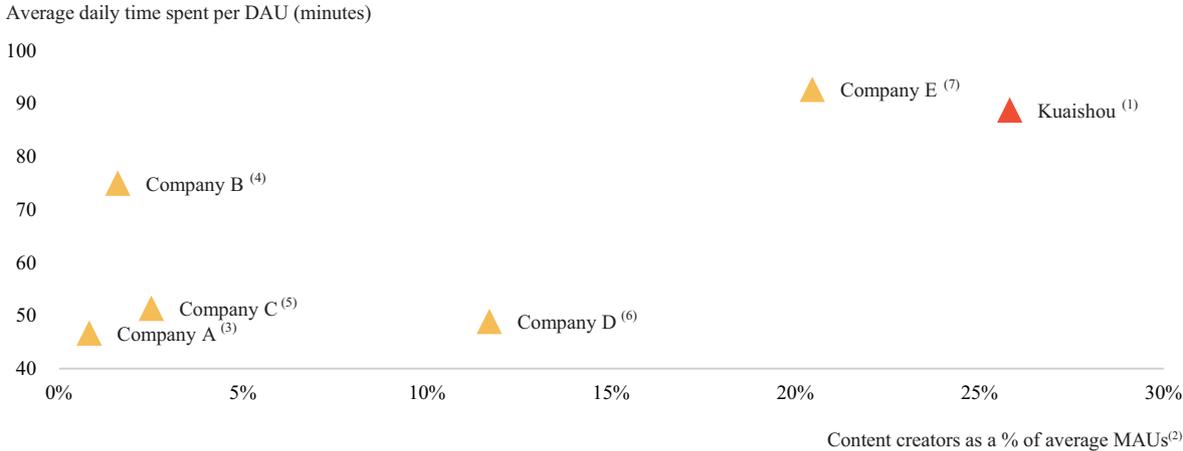
Social platforms have evolved alongside the emergence of video. Traditional social networking platforms that were primarily text, pictures and audio-based have incorporated video content into their user experiences. At the same time, social and content platforms that are built on video, particularly short video and live streaming, have emerged. Video is playing an increasingly critical role globally in social activities on mobile devices. According to iResearch, video-based social platforms facilitate social interaction with video as the primary content format, and include the aforementioned types of social platforms.

Globally, we are one of two video-based social platforms at scale primarily focused on both short video and live streaming content formats. In China, there are several social platforms that are built on short video or live streaming content. Some are focused on specific content genres such as online games or entertainment while others cater to diversified social and entertainment use cases. While there is some degree of user overlap among them, platforms differentiate themselves by providing differentiated user experiences and engagement. According to iResearch, Company E and our Company are the world’s largest and second largest short video platforms respectively by average DAUs for the nine months ended September 30, 2020.

Platforms with more diverse content and more vibrant content creation ecosystems are better equipped to address the evolving needs of users with different backgrounds and interests. As the below chart shows, we have the most active content community among the top video-based social platforms in China in terms of percentage of average MAUs who create content, a measure of the activeness of a content community in terms of the proportion of users who create content according to iResearch. The more active a content community is, the more likely users are to contribute content to and actively participate in that community as opposed to merely being a consumer of content.

The chart and table below set forth a comparison and key operating metrics of short video and live streaming platforms in China for the periods indicated based on information provided by iResearch:

Comparison of Short Video and Live Streaming Platforms in China in the Nine Months Ended September 30, 2020



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Key Operating Metrics of Short Video and Live Streaming Platforms in China in the Nine Months Ended September 30, 2020

	Kuaishou ⁽¹⁾	Company A ⁽³⁾	Company B ⁽⁴⁾	Company C ⁽⁵⁾	Company D ⁽⁶⁾	Company E ⁽⁷⁾
Primary content format	Short video & live streaming	Live streaming	Live streaming	Live streaming	Live streaming	Short video & live streaming
Average DAUs (millions) ⁽⁸⁾	275.9	3.8	11.1	12.9	33.5	426.2
Average daily time spent per DAU (minutes) ⁽⁸⁾	88.3	46.7	75.1	51.6	48.9	92.2
Total revenue (RMB billions)	40.7	8.3	7.9	7.3	9.6	N.A.
Live streaming revenue (RMB billions)	25.3	7.9	7.5	6.8	6.7	N.A.
Average total revenue per DAU ⁽⁹⁾ (RMB)	0.5	8.0	2.6	2.1	1.0	N.A.

Source: iResearch

- (1) On Kuaishou App for average DAUs, content creators as a percentage of average MAUs, average daily time spent per DAU, and average total revenue per DAU
- (2) Measures the activeness of a content community in terms of the proportion of users who create content. Content creators calculated as the average number of unique user accounts per month that uploaded short videos plus the average number of unique user accounts per month that streamed content. MAUs refer to monthly active users by unique user accounts. The more active a content community is, the more likely users are to contribute content to and actively participate in that community as opposed to merely being a consumer of content.
- (3) Company A is a social and entertainment live streaming platform owned by a U.S.-listed company.
- (4) Company B is a U.S.-listed online game live streaming platform.
- (5) Company C is a U.S.-listed online game live streaming platform.
- (6) Company D is a social and entertainment live streaming platform owned by a U.S.-listed company.
- (7) Company E is a privately-owned family of short video and live streaming apps in China that caters to diversified social and entertainment use cases. iResearch is unable to reliably estimate total revenue, live streaming revenue and average total revenue per DAU of Company E as it is privately owned.
- (8) By unique mobile devices
- (9) Computed as average total revenue per day divided by average DAU by unique mobile devices

As social and content platforms continue to develop, industry consolidation through mergers and acquisitions may arise opportunistically as platforms seek to grow their users, business scale and capabilities in different content formats.

Major cost components of video-based social platforms primarily include costs of maintaining and growing the platform as well as direct costs associated with various monetization channels. Costs of maintaining and growing the platform primarily include bandwidth and server custody costs, sales and marketing costs, research and development costs, as well as other operating expenses. Costs of maintaining and growing the platform are generally a function of the activity on the platform, which increases along with growth in user base, total length of videos viewed and

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degree of social interaction on the platform. Direct costs associated with various monetization channels primarily include, in the case of virtual gifting for instance, revenue shared with streamers as well as payment processing costs from payments for virtual gifts. Direct costs associated with various monetization channels generally grow alongside the revenue scale of the channel.

Monetization Opportunities for Video-Based Social Platforms

Social platforms that have incorporated short video and live streaming have vibrant ecosystems where users engage on a diverse range of topics and user needs arise naturally. Traditionally, short video and live streaming platforms have monetized primarily through virtual gifting and online marketing services. However, as these platforms evolve, new market opportunities will arise across a multitude of industries, such as e-commerce, online games, online education, local services, among others. Platforms with stronger social attributes and interactions will give rise to stronger network effects and have the ability to foster a trusted ecosystem, a key factor in capturing monetization opportunities.

Live streaming virtual gifting

Live streaming users express their appreciation and support for streamers by gifting them virtual items. Virtual gifting also enriches interactions among streamers and their viewers.

Key drivers for the live streaming virtual gifting market include:

- *Increasing live streaming users and time spent.* Due to its real-time and social nature, live streaming is gaining popularity as a way for socializing and entertainment, leading to a fast-growing user base and time spent, which in turn leads to a larger virtual gifting market;
- *Expanding live streaming content offerings and improving quality.* As live streaming platforms evolve, the content genres are expanding to cover a wider range of interests appealing to a broader spectrum of user demographics. In addition, the advancement of live streaming technology lowers the barriers to live streaming content creation and improves content quality, leading to expanding content supply and better experiences for viewers; and
- *Users' increasing willingness to pay.* Rising disposable income in China will further drive users' willingness and ability to pay for quality content and reward content creators.

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In China, live streaming virtual gifting revenue increased from RMB7.0 billion in 2015 to RMB140.0 billion in 2019, and is expected to reach RMB416.6 billion in 2025, growing at a CAGR of 19.9%, according to iResearch.

China live streaming virtual gifting market size by revenue

(RMB in billions)	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2015A- 2019A CAGR	2019A- 2025E CAGR
Live Streaming Virtual Gifting	7.0	24.5	52.9	86.6	140.0	182.6	223.9	269.2	317.7	367.2	416.6	111.8%	19.9%

Source: iResearch

Online marketing services

Online marketing services mainly comprise advertising, which is a natural means of monetization for short video and live streaming-based social platforms due to the broad user reach and diversity of content, interests and needs that naturally arise through user engagement.

Key drivers for mobile advertising through short video and live streaming include:

- *More users and increasing time share.* As short video and live streaming capture an increasing share of users' time, advertisers are placing more importance to these marketing channels. According to iResearch, short video and live streaming account for 15.6% of a user's daily time spent on the mobile internet in China in 2019, which is expected to reach 25.1% by 2025;
- *Better user understanding and targeting.* Massive user data generated from user engagement, advanced technologies implemented by short video and live streaming platforms to enable precise user understanding, and sophisticated advertising content development and distribution lead to improved advertising efficiency and effectiveness; and
- *Superior and innovative ads formats.* Compared with traditional ads formats, short video and live streaming can carry richer and more dynamic and interactive content in a succinct way, conveying the message in a more effective manner that is increasingly valued by advertisers.

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In China, the mobile advertising market has grown from RMB99.8 billion in 2015 to RMB541.5 billion in 2019, and is expected to reach RMB1,706.1 billion in 2025, growing at a CAGR of 21.1%, driven by the proliferation of the mobile internet, according to iResearch. Short video and live streaming are increasingly popular channels for mobile advertising, accounting for 15.0% of the mobile advertising market in 2019 and reaching 27.3% in 2025.

China mobile advertising market size by revenue

(RMB in billions)	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2015A- 2019A CAGR	2019A- 2025E CAGR
Overall Mobile Advertising Market Size	99.8	175.0	255.0	366.3	541.5	678.7	853.2	1,051.3	1,261.0	1,478.6	1,706.1	52.6%	21.1%
Mobile Advertising Through Short Video and Live Streaming Platforms	0.1	1.6	3.2	20.1	81.4	135.1	197.1	267.8	336.0	397.3	465.3	399.3%	33.7%
As % of total market size .	0.1%	0.9%	1.2%	5.5%	15.0%	19.9%	23.1%	25.5%	26.6%	26.9%	27.3%		

Source: iResearch

E-commerce

Short video and live streaming-based social platforms are effective for e-commerce due to social interactions and trust.

Key drivers for e-commerce on short video and live streaming-based social platforms include:

- *Trust between buyers and merchants* is more likely due to engagement around authentic content from real people. This is further supported by interactions and word-of-mouth recommendation as well as connections between users and content creators;
- *Richness of content and social interactivity* create natural opportunities for e-commerce. Additionally, short video and live streaming are effective means of raising product awareness and sales;
- *More users and increasing time share* expand user engagement scenarios and thus broaden the possibilities for e-commerce needs to arise and be addressed on such platforms; and
- *Development of e-commerce infrastructure in short video and live streaming platforms*, such as tools for store operations, logistics and customer service, enables merchants to leverage short video and live streaming platforms to sell and promote a greater variety of products more easily.

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Live streaming e-commerce on short video and live streaming-based social platforms is becoming more common and will occur in more diverse ways over time. In China, the GMV of live streaming e-commerce is expected to increase from RMB416.8 billion in 2019 to RMB6,417.2 billion in 2025, growing at a CAGR of 57.7%. This represents 4.2% of China's retail e-commerce market in 2019, and is expected to reach 23.9% by 2025.

The world's largest live streaming e-commerce platform was a subsidiary of a publicly listed company with live streaming e-commerce GMV of approximately RMB250 billion to RMB300 billion in the nine months ended September 30, 2020, according to iResearch. We were the world's second largest live streaming e-commerce platform, according to iResearch, with live streaming e-commerce GMV of approximately RMB204 billion for the same period.

China retail e-commerce and live streaming e-commerce market size by GMV

(RMB in billions)	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2019A- 2025E CAGR
Retail E-commerce . . .	3,803.9	4,681.6	6,232.4	7,907.8	9,904.3	10,936.1	13,624.9	15,939.3	18,828.8	22,476.8	26,832.0	18.1%
Live Streaming E-commerce.	N.A.	N.A.	16.8	120.5	416.8	1,229.9	2,051.4	3,101.7	4,202.9	5,316.6	6,417.2	57.7%
As % of Total Retail E-commerce	N.A.	N.A.	0.3%	1.5%	4.2%	11.2%	15.1%	19.5%	22.3%	23.7%	23.9%	

Source: iResearch

Other monetization opportunities

The diversity of user needs that arise naturally through short video and live streaming platforms gives rise to numerous opportunities for monetization, including but not limited to online games, online education and local services:

- *Online games.* Short video and live streaming platforms partner with game producers and publishers to distribute games to gamers and game enthusiasts on these platforms;
- *Online education.* Short video and live streaming platforms provide an immersive and interactive experience, making them well suited to address users' learning needs; and
- *Local services.* Authentic and personal interaction between users, as well as users and content creators, allows for the promotion and recommendation of local services in a natural manner.

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PRC REGULATORY FRAMEWORK

This section sets forth a summary of the most significant laws and regulations applicable to our business and operations in China, but as the short video and live streaming industries are still evolving in China, new laws and regulations may be adopted to require new licenses or permits in addition to those we currently have.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

Licenses for Value-added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), promulgated by the State Council on September 25, 2000 and last amended with immediate effect on February 6, 2016, provide the regulatory framework for telecommunications service providers in the PRC. The Telecommunications Regulations classifies 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 Telecommunications Regulations and last amended by 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》) (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 shall obtain an ICP License from appropriate telecommunications authorities. An ICP License has a term of five years and can be renewed 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, amended on July 3, 2017 and came into effect on September 1, 2017.

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

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (《外商投資准入特別管理措施(負面清單)》(2020年版)) (the “**2020 Negative List**”), was promulgated by the NDRC and the MOFCOM jointly on June 23, 2020 and came into effect on July 23, 2020. According to the 2020 Negative List, the proportion of foreign investments in an entity engages 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 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》) (the “**MII Notice**”), issued by the Ministry of Information Industry (the “**MII**”, which is 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 RELATING TO INTERNET AUDIO-VISUAL PROGRAM SERVICES

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》) (the “**Internet Culture Provisions**”), promulgated by the MOC 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 activities. 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

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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, ICB License 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 MOC, SARFT, the GAPP, the NDRC and the MOFCOM, 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 the above-mentioned 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 2020 Negative List.

According to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》) (the “**Audio-Visual Regulations**”), promulgated by the SARFT and the MII 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 shall obtain an Audio-Visual Permit 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 SARFT 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 stresses that entities producing online audio-visual content, such as Internet drama and micro films, must obtain a permit for radio television program production and operation, and that online audio-visual content service providers shall not release any Internet drama or micro films that were produced by any entity lacking such permit. 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.

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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 Internet Audio-Visual Program 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 MII 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 shall be eligible to re-register their businesses and continue their 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 May 21, 2008 and amended on August 28, 2015.

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 MCT and the NRTA on November 18, 2019, 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 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 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, as amended on August 28, 2015, 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 Production Operation License shall conduct their operations strictly within the approved scope of production and operation. Except for radio and television broadcasting institutions, the abovementioned permit holders shall not produce radio and television programs concerning current political news or special topics, columns and other programs of the same kind.

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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》) (the “**Online Live Streaming Regulations**”) which came into effect on December 1, 2016. According to the Online Live Streaming Regulations, all online live streaming service providers shall 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, add 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 shall 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 Online Live Streaming Regulations, 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 be 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 Online Live Streaming Regulations are subject to punishment by the national and local Internet information offices; if such violations constitute a crime offense, criminal investigations or penalties may be imposed.

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On September 2, 2016, the SAPPRFT issued the Circular on Issues concerning Strengthening the Administration of Online Live Streaming of Audio-Visual Programs (《關於加強網絡視聽節目直播服務管理有關問題的通知》) (the “**Online Live Streaming Circular**”). According to the Online Live Streaming 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, 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 emergency 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 following requirements: (i) patriotic and law-abiding; (ii) good public reputation and social image, no scandals and 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 MOC 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 2020 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 Circular 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, platforms providing online show live streaming or e-commerce live streaming services shall register their information and business operations by November 30, 2020. The overall ratio of front-line content analysts to live streaming rooms shall be 1:50 or higher on such platforms. The training for content analysts shall be strengthened and content analysts who have passed the training shall be registered in the system. A platform shall report the number of its live streaming rooms, streamers and content analysts to the provincial

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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. To host any e-commerce promotion events such as E-commerce Festival, E-commerce Day or Promotion Day in the forms of live streaming, live performances, live variety shows and other live programs, the platforms shall register the information of guests, streamers, content and settings with the local branch of NRTA 14 business days in advance. Online e-commerce live streaming platforms shall conduct relevant qualification examination and real-name authentication on businesses and individuals providing live-streaming marketing services and keep complete examination and authentication records, and shall not enable imposters or businesses or individuals without qualification or real-name registration to conduct live-streaming marketing services.

REGULATIONS RELATING TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

In addition to the Telecommunications Regulations and other regulations above, mobile Internet applications (the “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》) (the “APP Provisions”), which was promulgated by the CAC on June 28, 2016 and became effective on August 1, 2016. The APP Provisions sets 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 etc.; (ii) establish and improve the mechanism for user information security protection, follow the principles of “legality, appropriateness and 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 sanctions 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

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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 express statement to the users and the consent of the users; do not turn on functions irrelevant to the services; 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 ON INTERNET ADVERTISEMENT

The Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994 and last amended on October 26, 2018, requires advertisers to ensure that the content of the advertisements is 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, 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 SAIC promulgated the Internet Advertisement Measures 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 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.

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REGULATIONS ON E-COMMERCE SERVICES

The SAIC adopted the Interim Measures for the Administration of Online Commodities Trading and Relevant Services (《網絡商品交易及有關服務行為管理暫行辦法》) on May 31, 2010 and replaced those measures with the Administrative Measures for Online Trading (《網絡交易管理辦法》) on January 26, 2014, which became effective on March 15, 2014. On December 24, 2014, the MOFCOM promulgated the Provisions on the Procedures for Formulating Transaction Rules of Third Party Online Retail Platforms (Trial) (《網絡零售第三方平台交易規則制定程序規定(試行)》) to regulate the formulation, revision and enforcement of transaction rules for online retail marketplace platforms. These measures impose more stringent requirements and obligations on online trading or service operators as well as marketplace platform providers. For example, marketplace platform providers are obligated to make public and file their transaction rules with MOFCOM or its respective provincial counterparts, examine the legal status of each third-party merchant selling products or services on their platforms and display on a prominent location on a merchant's web page the information stated in the merchant's business license or a link to its business license, and group buying website operators must only allow a third-party merchant with a proper business license to sell products or services on their platforms. Where marketplace platform providers also act as online distributors, these marketplace platform providers must make a clear distinction between their online direct sales and sales of third-party merchant products on their marketplace platforms.

On August 31, 2018, the SCNPC promulgated the E-Commerce Law, which came into effect on January 1, 2019. The E-commerce Law imposes a series of requirements on e-commerce operators including e-commerce platform operators, merchants operating on the platform and the individuals and entities carrying out business online. According to the E-commerce Law, e-commerce operators who provide search results based on consumers' characteristics such as hobbies and consumption habits shall also provide consumers with options that are not targeted at their personal characteristics at the same time, respect and fairly protect the legitimate interests of the consumers. The E-commerce Law requires the e-commerce platform operators to: (i) verify and register the identities, addresses, contacts and licenses of merchants who apply to provide goods or services on its platform, establish registration archives and update this information on a regular basis; (ii) record and retain information of the products and services published on its platform, as well as transaction information, for a no less than three years unless otherwise provided by laws and regulations, and ensure the completeness, confidentiality and availability of this information; (iii) use noticeable labels to clearly distinguish the products or services provided by the platform operators from those provided by merchants; (iv) submit the identification information of the merchants on its platform to market regulatory administrative authorities as required and remind the merchants to complete the registration with market regulatory administrative authorities; (v) submit identification information and tax-related information to tax authorities as required in accordance with the laws and regulations regarding the administration of tax collection and remind

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the individual merchants to complete the tax registration; (vi) display the platform service agreement and the transaction rules or links to this information on the homepage of the platform; (vii) establish a credit evaluation system and publish the credit evaluation rules, and provide consumers with methods to evaluate products sold or services provided on the platform; and (viii) establish intellectual property rights protection rules, and take necessary measures against infringement of intellectual property rights by merchants on its platform. In addition, e-commerce platform operators are not allowed to impose unreasonable restrictions over or add unjustified conditions to transactions concluded on their platforms by merchants, or charge merchants operating on its platform any unreasonable fees.

According to the E-commerce Law, e-commerce platform operators are required to assume joint liability with the merchants and may be subject to warnings and fines up to RMB2,000,000 where (i) they fail to take necessary actions when they know or should have known that the products or services provided by the merchants on the platform do not meet personal and property security requirements, or otherwise infringe upon consumers' legitimate rights; or (ii) they fail to take necessary actions, such as deleting and blocking information, disconnecting, terminating transactions and services, when they know or should have known that the merchants on the platform infringe upon the intellectual property rights of others. With respect to products or services affecting consumers' health and safety, e-commerce platform operators will be held liable if they fail to review the qualifications of merchants or fail to safeguard the interests of consumers, and may be subject to warnings and fines up to RMB2,000,000.

According to the Notice on Lifting the Restriction to Foreign Shareholding Percentage in Online Data Processing and Transaction Processing Business (Operational E-commerce) (《關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》) promulgated by the MIIT on June 19, 2015, as well as the 2020 Negative List, foreign investors are allowed to hold up to 100% of all equity interest in the online data processing and transaction processing business (operational e-commerce) in China. An e-commerce operator shall obtain a license for value-added telecommunications services with the specification of online data processing and transaction processing business (the “**EDI License**”) from appropriate telecommunications authorities, pursuant to the Telecommunications Regulations and the Catalog of Telecommunications Services.

The Consumer Protection Law, which was promulgated by the SCNPC on October 31, 1993 and last amended on October 25, 2013 with effect from March 15, 2014, sets out the obligations of business operators and the rights and interests of the consumers. Business operators must guarantee the quality, function, usage and term of validity of the goods or services they sell or provide. The consumers whose interests have been damaged due to their purchase of goods or acceptance of services on online platforms may claim damages from the sellers or service providers. Online platform operators may be subject to liabilities if the lawful rights and interests of consumers are infringed in connection with consumers' purchase of goods or acceptance of

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services on online platforms and the platform operators fail to provide consumers with authentic contact information of the sellers or service providers. In addition, platform operators may be jointly and severally liable with the sellers and service providers if they are aware or should be aware that the sellers or the service providers are using the online platform to infringe upon the lawful rights and interests of consumers and fail to take measures necessary to prevent or stop this activity. On January 6, 2017, the SAIC issued the Interim Measures for No Reason Return of Online Purchased Commodities within Seven Days (《網絡購買商品七日無理由退貨暫行辦法》), which came into effect on March 15, 2017, further clarifying the scope of consumers' rights to make returns without a reason, including exceptions, return procedures and online marketplace platform providers' responsibility to formulate seven-day no-reason return rules and related consumer protection systems, and supervise the merchants for compliance with these rules.

REGULATIONS RELATING TO ONLINE GAMES

Regulatory Authorities

Pursuant to the Notice on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of the General Administration of Press and Publication (National Copyright Administration) (《關於印發〈國家新聞出版總署(國家版權局)主要職責內設機構和人員編製規定〉的通知》) promulgated by the General Office of the State Council on July 11, 2008, the Notice of the State Commission Office for Public Sector Reform on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the Three Provisions jointly promulgated by the MOC, SARFT and the GAPP (《中央機構編製委員會辦公室關於印發《中央編辦對文化部、廣電總局、新聞出版總署〈“三定”規定〉中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋〉的通知》) on September 7, 2009, the Notice on Issuing the Provisions on the Main Functions, Internal Bodies and Staffing of the State Administration of Press, Publication, Radio, Film and Television promulgated by the General Office of the State Council (《關於印發〈國家新聞出版廣電總局主要職責內設機構和人員編製規定〉的通知》) on July 11, 2013, and the Administrative Measures on Internet Publishing Services (《網絡出版服務管理規定》) (the “**Internet Publishing Measures**”) promulgated by the SAPPRFT and the MIIT on February 4, 2016 and took effective on March 10, 2016, the GAPP is responsible for the examination and approval process of online games prior to online publication, the SAPPRFT is responsible for the approval of game registration and issuance of game publication numbers, and after the online games uploaded on the Internet, online games will be administered by the MOC. Moreover, if an online game is launched on the Internet without the prior approval of the GAPP, the MOC will be responsible for guiding the cultural market law enforcement team to conduct investigation and punishment.

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In March 2018, the Central Committee of the Communist Party of China issued the Plan for Deepening the Institutional Reform of the Party and State (《深化黨和國家機構改革方案》) and the National People's Congress promulgated the Decision of the First Session of the Thirteenth National People's Congress on the State Council Institutional Reform Proposal (《第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》) (collectively, the “**Institutional Reform Plans**”). According to the Institutional Reform Plans, the SAPPRFT was reformed and now known as the NRTA under the State Council, and the responsibility of the SAPPRFT for the approval of online game registrations and issuance of game publication numbers has been transferred to the NPPA, effective from March 21, 2018. The NPPA at the national level suspended approval of game registration and issuance of publication numbers for online games since March 2018 and resumed to issue game publication numbers by batches periodically since December 2018. Beginning in December 2018, the NPPA at the national level started to approve new online games.

On May 20, 2019, the MCT released the Notice on Adjusting the Scope of Examination and Approval regarding the Internet Culture Operation License to Further Regulate the Approval Work (《關於調整〈網絡文化經營許可證〉審批範圍進一步規範審批工作的通知》) (the “**ICB Notice**”), which quotes the Regulations on the Function Configuration, Internal Institutions and Staffing of the MCT (《文化和旅遊部職能配置、內設機構和人員編製規定》) and further specifies that the MCT no longer assumes the responsibility for administering the industry of online games. On July 10, 2019, the MCT issued the Abolition Decisions on the Interim Administrative Measures for the Administration of Online Games and the Administrative Measures for Tourism Development Plan (《關於廢止〈網絡遊戲管理暫行辦法〉和〈旅遊發展規劃管理辦法〉的決定》) (the “**Abolition Decision**”). The Abolition Decision also cites the Regulations on the Function Configuration, Internal Institutions and Staffing of the MCT and further abolishes the Interim Measures for the Administration of Online Games (《網絡遊戲管理暫行辦法》) (the “**Online Game Measures**”), which means that the MCT will no longer regulate the industry of the online games. The Abolition Decision reduced the regulatory burden on online game operators, as ICB License and post-operation filings are no longer required for online games, and imported online games are no longer subject to content review by the MCT.

As of the Latest Practicable Date, no laws, regulations or official guidelines have been promulgated regarding whether the responsibility of MCT for regulating online games will be undertaken by another governmental department. According to the currently effective PRC laws and regulations, online games are regulated by the MIIT and the NPPA. The MIIT is responsible for the issuance of ICP License, and the NPPA is responsible for the pre-approval on online games.

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Online Game Publication

Pursuant to the Internet Publishing Measures, online publications such as games provided to the public through information networks must be approved by the SAPPRFT and obtain an Internet Publishing Service License. According to the Internet Publishing Measures, before publishing an online game, an online publishing service provider shall file application with the competent provincial-level publishing administrative department where it is located and the application, if reviewed and approved by such local authorities, shall be submitted to the SAPPRFT for further approval.

The Notice on the Administration over Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》) (the “**Mobile Game Notice**”), which was issued by the SAPPRFT on May 24, 2016 and took effect on July 1, 2016, provides that game publishing services providers shall be responsible for examining the contents of their games and applying for game publication numbers (遊戲出版物號). A mobile game shall not be published without the prior approval of the SAPPRFT. For the purpose of the Mobile Game Notice, game publishing services providers refer to online publishing service entities that have obtained the Internet Publishing Service License from the SAPPRFT, with game publishing business included in their scope of business. To apply for publication of domestically-developed mobile games in the leisure and puzzle category that are not related to political, military, national or religious topics or contents and have no or simple story lines, entities, the game publishing service providers shall submit the required documents to competent provincial publishing administrative departments where it is located at least 20 working days prior to the expected date of online publication (public beta). Game publishing service providers applying for publication of domestically-developed mobile games that are not included in the above-mentioned category and mobile games that are authorized by foreign copyright owners shall go through more stringent procedures, including submitting management accounts for content review and testing account for game anti-indulgence system. The game publishing services providers must set up a specific page to display the information approved by the SAPPRFT, including the copyright owner of the game, publishing service provider, approval number, publication number and others, and shall be responsible for examining and recording daily updates of the game. Concerning those mobile games (including pre-installed mobile games) that have been published and operated online before the implementation of this notice, other requirements apply to maintain the publication and operation of such games online, relevant approval procedures would have to be implemented by the game publishing service providers in coordination with the provincial publication administrative departments before October 1, 2016 as required by this notice. On September 19, 2016, the SAPPRFT further circulated the Notice on Extending the Relevant Work Time Limit in the Notice on the Administration over Mobile Game Publishing Services (《關於順延〈關於移動遊戲出版服務管理的通知〉有關工作時限的通知》) to extend the work time limit from October 1, 2016 to December 31, 2016.

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Internet publishing services, which include the publication of games, remains a prohibited area for foreign investment on the 2020 Negative List.

Online Game Operations

The Online Game Measures that was issued by the MOC on June 3, 2010 and last amended on December 15, 2017, comprehensively regulates the activities related to online game business, including the research and development and production of online games, the operation of online games, the standards for online games content, the issuance of virtual currencies used for online games and virtual currency trading services. The Online Game Measures provides that any entity engaging in online game operations must obtain an ICB License, and the content of an imported online game must be examined and approved by the MOC prior to its launch. Domestically-developed online games must be filed with the MOC within 30 days of its launch. The Online Game Measures also requires online game operators to protect the interests of the online game players and specified certain terms that must be included in the service agreements between online game operators and its online game players. The Notice of the MOC on the Implementation of the Interim Measures for the Administration of Online Games (《文化部關於貫徹實施〈網絡遊戲管理暫行辦法〉的通知》) which was took effect on August 1, 2010 specifies the entities regulated by the Online Game Measures and procedures related to the MOC's review of the content of online games, and emphasizes the protection of minors playing online games and requests online game operators to promote real-name registration by their game players.

On July 10, 2019, the MCT issued the Abolition Decision, which specifies that the Online Game Measures was abolished by the MCT on July 10, 2019. On August 19, 2019, the MCT issued the Announcement on Results of Regulatory Documents Clean-up, which specifies that the Notice of the MOC on the Implementation of the Interim Measures for the Administration of Online Games was abolished.

According to the ICB Notice and the Abolition Decision, (1) the MCT is no longer responsible for regulating the online games industry in the PRC and has ceased granting or renewing any games-related ICB licenses; and (2) a currently valid games-related ICB license will remain valid until the term of the license expires.

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Virtual Currency

On February 15, 2007, the Notice on Further Strengthening Administration of Internet Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》) (the “**Internet Cafes Notice**”) was jointly issued by the MOC, the People’s Bank of China and other governmental authorities with the goal of strengthening the administration of virtual currency in online games and to avoid any adverse impact on the PRC economy and financial system. The Internet Cafes Notice imposes strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players and requires a clear division between virtual transactions and real transactions carried out by way of electronic commerce. The Internet Cafes Notice further provides that virtual currency should only be used to purchase virtual items and prohibits any resale of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Virtual Currency Notice. It defines the meaning of the term “virtual currency” and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also states that online game operators are also not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for players’ cash or virtual money.

According to the Notice on Regulating the Operations of Online Games and Strengthening Interim and Ex Post Regulation (《關於規範網絡遊戲運營加強事中事後監管工作的通知》) (the “**Interim and Ex Post Supervision Notice**”) promulgated by the MOC on December 1, 2016 and became effective on May 1, 2017, the virtual items, purchased by users directly with legal tender, by using the virtual currencies of online games or by exchanging the virtual currencies of online games according to a certain percentage and enable users to directly exchange for other virtual items or value-added service functions in online games, shall be regulated pursuant to the provisions on virtual currencies of online games. Online game operators shall not provide users with services to exchange virtual currencies into legal currency. Where it provides users with the option to exchange virtual currencies into physical items of minor value, the contents and value of such physical items shall be in compliance with relevant laws and regulations of the State. However, the Interim and Ex Post Supervision Notice has been abolished by the MCT on August 19, 2019.

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REGULATIONS ON INFORMATION SECURITY

Internet content in China 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 cyber security 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 China.

On November 7, 2016, the SCNPC issued the Cyber Security Law (《網絡安全法》), which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cyber security, including appointing dedicated cyber security personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cyber security incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and

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state security authorities in connection with criminal investigations or for reasons of national security. The Cyber Security 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 Cyber Security 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 leak, 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 Cyber Security 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 (the "OCCAC") 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.

REGULATIONS ON 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.

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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 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》). 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 Cyber Security 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 Cyber Security Law imposes breach notification requirements that will apply to breaches involving personal information.

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On January 23, 2019, the OCCAC, the MIIT, and 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 Criminal Law of the PRC (《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 (《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 Civil Code, which came into effect on January 1, 2021. Pursuant to the 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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REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Copyright

China 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 Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”) which was promulgated by the SCNPC on September 7, 1990 and last amended on February 26, 2010 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 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 Regulation 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 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;

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- (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; and

- (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.

Measures on Administrative Protection of Internet Copyright (《互聯網著作權行政保護辦法》), that were promulgated by the MII and National Copyright Administration (the “NCA”) and took effect 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

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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 in 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》) (the “**Software Copyright Measures**”), 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 Copyright Protection Center of China (the “**CPCC**”), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

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》) 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.

The Notice on Launching “Jian Wang 2016” Special Actions Against Internet Piracy and Copyright Infringement (《關於開展打擊網絡侵權盜版“劍網2016”專項行動的通知》), jointly issued by NCA, MIIT, the Ministry of Public Security and CAC in 2016 includes the following: (i) the punishment of the unauthorized distribution of online literature, news, and films, and protecting the legitimate rights of the copyright owners, (ii) the crackdown of the distribution of pirated content through mobile apps, e-commerce platforms, and online advertising platforms, in

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order to maintain the order of the internet copyright environment; and (iii) the copyright order of online music, online cloud storage space, and online distribution of news will be further standardized to create a clean internet environment for copyright.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《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 China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The PRC Trademark Office of National Intellectual Property Administration (the “**Trademark Office**”) 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 Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated on March 12, 1984 and amended on December 27, 2008 with effect from October 1, 2009. 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 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

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applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or 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. The Patent Law of the PRC was recently amended on October 17, 2020 and the revised version will come into effect on June 1, 2021.

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. 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 (the “CNNIC”) is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC 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 name 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 the PRC 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

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pursuant to relevant rules and regulations of China. For 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 rules and regulations of China.

Regulations Relating to Offshore Investment

Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "SAFE Circular 75"), which became effective on November 1, 2005, the domestic residents, including domestic individuals and domestic companies, must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle (the "Overseas SPV"), for the purposes of overseas equity financing activities, and to update such registration in the event of any significant changes with respect to that offshore company. On July 4, 2014, the SAFE promulgated the SAFE Circular 37, which replaced SAFE Circular 75, for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. SAFE Circular 37 supersedes the SAFE Circular 75 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, a domestic resident must register with the local SAFE branch before he or she contributes assets or equity interests in an Overseas SPV, that is directly established or indirectly controlled by the domestic resident for the purpose of conducting investment or financing. In addition, in the event of any change of basic information of the Overseas SPV such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration procedures for offshore investment. 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 Overseas SPV 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.

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On February 13, 2015, the SAFE promulgated the Notice on Simplifying and Improving the Foreign Currency Management 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》), effective from June 1, 2015, which further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

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 (the “**Encouraging Catalog**”) and the Special Management Measures (Negative List) for the Access of Foreign Investment (the “**Negative List**”) which were promulgated and are amended from time to time by the MOFCOM and the NDRC, and together with the PRC 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 June 30, 2019, MOFCOM and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄 (2019年版)》), which became effective on July 30, 2019, to replace the previous Encouraging Catalog. On June 23, 2020, MOFCOM and the NDRC released 2020 Negative List, which became effective on July 23, 2020, to replace the previous Negative List.

On March 15, 2019, the National People’s Congress promulgated the FIL, which became effective on January 1, 2020 and replaced the major laws and regulations governing foreign investment in the PRC. Pursuant to the FIL, “foreign investments” refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC 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.

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According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those 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. 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 the PRC, 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 territory of PRC, 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 (《中華人民共和國公司法》) and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which became effective on January 1, 2020. The implementation rules 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.

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On December 30, 2019, MOFCOM 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.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

The Law of the People's Republic of China on Enterprise Income Tax (《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》) (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 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 Circular 82 promulgated by the SAT 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.

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According to 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 the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives habitually reside in the PRC.

The EIT Laws permit certain High and New Technologies Enterprises, or HNTEs, to enjoy a reduced 15% EIT rate subject to these HNTEs meeting certain qualification criteria. 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%.

The Bulletin 7 was issued by the SAT on February 3, 2015 and most recently amended pursuant to the Bulletin 37, which was issued by the SAT on October 17, 2017 and became effective as of December 1, 2017. Pursuant to 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 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 Bulletin 7.

REGULATORY OVERVIEW

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 MOF and the SAT 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 MOF and the SAT 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 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 MOF and the SAT 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 abovementioned 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.

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On March 20, 2019, the MOF, the SAT 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》) (the “**Announcement 39**”), which came into effect on April 1, 2019, to further slash VAT rates. According to Announcement 39, (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%.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

According to the Labor Law of the People’s Republic of China (《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, 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.

REGULATORY OVERVIEW

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 People's Republic of China (《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.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

The Company was incorporated in the Cayman Islands on February 11, 2014 as an exempted company with limited liability, and is the holding company of the Group with businesses conducted through its subsidiaries and Consolidated Affiliated Entities controlled by the Company by virtue of the Contractual Arrangements.

The Group was founded by Mr. Su Hua and Mr. Cheng Yixiao. The development history of the Group can be traced back to 2011 when *GIF Kuaishou* was launched as a mobile app for users to create and share animated images known as GIFs, in essence the earliest form of short videos, according to iResearch. In 2013, we launched our short video social platform. Under the leadership of Mr. Su Hua and Mr. Cheng Yixiao, the Group launched its live streaming business as a natural extension to its platform in 2016, enabling users to be more social and engage with each other in real time on its platform, and has established live streaming, online marketing services, e-commerce, online games, online knowledge-sharing and various other monetization channels.

The Group is a leading content community and social platform. Globally, we are the largest live streaming platform by gross billings from virtual gifting and average live streaming MPUs, the second largest short video platform by average DAUs, and the second largest live streaming e-commerce platform by GMV, all for the nine months ended September 30, 2020, according to iResearch.

BUSINESS MILESTONES

The following is a summary of our key business development milestones:

<u>Year</u>	<u>Event</u>
2011	<i>GIF Kuaishou</i> was launched for users to create and share animated images known as GIFs, in essence the earliest form of short videos. ⁽¹⁾
2012	We became the first mover in China's short video industry that enabled users to create, upload and view short videos on mobile devices. ⁽¹⁾
2013	We launched our short video social platform.
2016	We launched live streaming as a natural extension to our platform.
2017	Kuaishou Flagship became the world's largest single live streaming platform in terms of revenue from virtual gifting in the fourth quarter of 2017. ⁽¹⁾
	We began to explore other monetization models, such as online marketing services.

HISTORY AND CORPORATE STRUCTURE

<u>Year</u>	<u>Event</u>
2018	<p>Kuaishou Flagship’s average DAUs exceeded 100 million in January 2018.</p> <p>We commenced our e-commerce business.</p>
2019	<p>We officially launched Kuaishou Express in August 2019.</p> <p>We became the world’s second largest live streaming e-commerce platform by GMV.⁽¹⁾</p>
2020	<p>Kuaishou Express’ average DAUs exceeded 100 million in August 2020.</p> <p>The average DAUs of our apps and mini programs in China exceeded 300 million for the nine months ended September 30, 2020.</p> <p>Our e-commerce business achieved GMV of over RMB330 billion in the 11 months ended November 30, 2020.</p>

Note:

(1) According to iResearch.

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The following entities are of strategic importance to us or have made material contributions to our results of operations during the Track Record Period:

1. Beijing Dajia

Beijing Dajia (i.e. WFOE) was incorporated as a company with limited liability in the PRC on July 2, 2014.

We have adopted a series of Contractual Arrangements among WFOE, our PRC Holdcos and their Registered Shareholders, pursuant to which the Company shall exercise control over the business operation of our Consolidated Affiliated Entities and enjoy substantially all the economic interests derived therefrom through WFOE. See “Contractual Arrangements” for details of our Contractual Arrangements.

2. Beijing Kuaishou

Beijing Kuaishou was incorporated as a company with limited liability in the PRC on March 20, 2015. Beijing Kuaishou is principally engaged in short video and live streaming services business.

HISTORY AND CORPORATE STRUCTURE

3. Beijing Kuaishou Ads

Beijing Kuaishou Ads was incorporated as a company with limited liability in the PRC on September 23, 2016. Beijing Kuaishou Ads is principally engaged in online marketing services business.

4. Chengdu Kuaigou

Chengdu Kuaigou was incorporated as a company with limited liability in the PRC on October 31, 2019. Chengdu Kuaigou is principally engaged in e-commerce business.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

The Company was incorporated in the Cayman Islands on February 11, 2014 as an exempted company with limited liability. At the time of formation, it had an authorized share capital of US\$50,000 divided into 100,000,000 Ordinary Shares with a par value of US\$0.0005 each. Upon incorporation of the Company, we issued 4,545,000, 3,636,000, 1,040,000 and 779,000 Ordinary Shares to Reach Best, Ke Yong, Fortune One and Jovial Star, respectively.

On February 6, 2018, we conducted a share split (the “Share Split”), pursuant to which every Share of par value US\$0.0005 each in our then issued and unissued share capital was split into 94.0527 Shares of par value US\$0.0000053 each. Following the Share Split, Reach Best, Ke Yong, Fortune One and Jovial Star were interested in 427,469,521, 338,767,480, 96,210,739 and 71,662,985 Ordinary Shares, respectively.

Between June 20, 2014 and February 11, 2020, we conducted six rounds of pre-IPO financing. See the paragraph headed “— Pre-IPO Investments” in this section for subsequent shareholding changes resulting from the Pre-IPO Investments. See also “Statutory and General Information — 1. Further Information about our Group — 1.2 Changes in share capital of our Company” in Appendix V to this prospectus for details of changes in the share capital of our Company during the two years immediately preceding the date of this prospectus. In addition, we will issue an aggregate of 363,146,799 Class B Shares pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, among which 56,961,183 Class B Shares will be issued to Reach Best, 45,568,873 Class B Shares will be issued to Ke Yong, and the remaining 260,616,743 Class B Shares will be issued to the Employee Shareholding Platforms.

On January 18, 2021, our Shareholders resolved, among other things that, all the issued and unissued Shares will be reclassified from the Listing as Class A Shares and Class B Shares of US\$0.0000053 and US\$0.0000053 par value each of the Company, respectively. See the paragraph headed “— Reclassification and Re-designation of our Shares” in this section for details of the reclassification and re-designation of our Shares.

HISTORY AND CORPORATE STRUCTURE

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our inception that we consider material to us.

POST TRACK RECORD PERIOD ACQUISITIONS

We proposed to make a number of acquisitions after the Track Record Period and up to the Latest Practicable Date. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to these proposed acquisitions. See “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in respect of Companies and Business to be Acquired after the Track Record Period” for alternative disclosure of these acquisitions.

RECLASSIFICATION AND RE-DESIGNATION OF OUR SHARES

On January 18, 2021, our Shareholders resolved, among other things that, all the issued and unissued Shares will be reclassified as Class A Shares and Class B Shares of US\$0.0000053 and US\$0.0000053 par value each of the Company, respectively. The Ordinary Shares originally held by Reach Best and Ke Yong shall be reclassified as Class A Shares and all the other Ordinary Shares shall be reclassified as Class B Shares. In addition, our Shareholders resolved that, subject to the Global Offering becoming unconditional, all the issued Preferred Shares will be reclassified and re-designated as Class B Shares. Our Shareholders also resolved that the 363,146,799 Shares which will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing be designated and classified as Class B Shares. After these changes are effected, the authorized share capital of the Company shall be US\$50,000 divided into (i) 766,237,001 Class A Shares of US\$0.0000053 par value each and (ii) 8,667,725,263 Class B Shares of US\$0.0000053 par value each, respectively, and the issued share capital (including those Ordinary Shares and Preferred Shares to be reclassified and re-designated as Class B Shares and assuming the Over-allotment Option is not exercised) shall be US\$21,773.43 divided into (i) 766,237,001 Class A Shares of US\$0.0000053 par value each and (ii) 3,341,957,736 Class B Shares of US\$0.0000053 par value each, respectively.

HISTORY AND CORPORATE STRUCTURE

CAPITALIZATION OF THE COMPANY

The following table sets out our shareholding structure as of the date of this prospectus and immediately upon the completion of the Global Offering, assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme.

Shareholders	Ordinary Shares	Series A		Series B		Series B-1		Series C		Series C-1		Series D		Series D-1		Series E		Series E-1		Series F-1		Series F-2		Aggregate number of shares of par value US\$0,000,053 each as of the date of this prospectus ⁽¹⁾	Aggregate ownership percentage as of the date of this prospectus ⁽¹⁾	Aggregate number of shares of par value US\$0,000,053 each upon the completion of the Global Offering ⁽²⁾	Aggregate ownership percentage upon the completion of the Global Offering ⁽²⁾
		Preferred Shares																									
Reach Best ⁽³⁾	427,469,521	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	427,469,521	12.648%	484,430,704	11.792%	
Ke Yong ⁽⁴⁾	338,767,480	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	338,767,480	10.023%	384,336,333	9.355%	
Fortune One ⁽⁵⁾	81,857,251	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	81,857,251	2.422%	81,857,251	1.993%	
Jovial Star ⁽⁶⁾	69,943,752	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	69,943,752	2.069%	69,943,752	1.703%	
Morningside China TMT Fund II, L.P. ⁽⁷⁾	—	356,224,601	—	118,749,340	6,416,275	14,665,638	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	496,055,854	14.677%	496,055,854	12.075%	
Morningside China TMT Special Opportunity Fund, L.P. ⁽⁷⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	31,803,262	—	—	—	—	—	—	—	—	31,803,262	0.941%	31,803,262	0.774%	
Morningside China TMT Fund III	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,102,799	—	—	—	—	—	—	—	3,102,799	0.092%	3,102,799	0.076%	
Co-investment, L.P. ⁽⁷⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	32,019,276	—	32,019,276	—	—	—	—	—	32,019,276	0.947%	32,019,276	0.779%	
MSYC SPF II, L.P. ⁽⁷⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
DCM Ventures China Fund (DCM VII), L.P. ⁽⁸⁾	—	—	—	265,753,487	—	—	—	—	—	—	—	—	—	—	—	1,369,005	1,369,005	—	—	—	—	—	267,122,492	7.903%	267,122,492	6.502%	
DCM Ventures China Turbo Fund, L.P. ⁽⁸⁾	—	—	—	—	—	—	—	—	—	—	14,518,600	—	—	—	—	1,417,522	1,417,522	—	—	—	—	—	15,936,122	0.472%	15,936,122	0.388%	
DCM Ventures China Turbo Affiliates Fund, L.P. ⁽⁸⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	853,994	83,382	83,382	—	—	—	—	—	—	937,376	0.028%	937,376	0.023%	
DCM VII, L.P. ⁽⁸⁾	—	—	—	25,604,179	—	—	—	—	—	—	—	—	—	—	—	131,898	131,898	—	—	—	—	—	25,736,077	0.761%	25,736,077	0.636%	
A-Fund, L.P. ⁽⁶⁾	—	—	—	2,326,187	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,326,187	0.069%	2,326,187	0.057%	
Morespark Limited ⁽⁹⁾	—	—	—	38,299,757	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	53,619,657	1.586%	53,619,657	1.305%	
Parallel Nebula Investment Limited ⁽⁹⁾	—	—	—	13,277,248	—	—	—	—	—	—	—	12,766,584	—	—	—	—	—	—	—	—	—	—	83,127,760	2.460%	83,127,760	2.023%	
Tencent Mobility Limited ⁽⁹⁾	—	—	—	—	—	—	—	—	—	—	—	4,425,749	—	—	—	—	—	—	—	—	—	—	506,143,854	14.975%	506,143,854	12.320%	
Image Frame Investment (HK) Limited ⁽⁹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	80,048,189	2.368%	80,048,189	1.949%	
TPP Follow-on I Holding F Limited ⁽⁹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,003,614	0.178%	6,003,614	0.146%	
DST Asia IV ⁽¹⁰⁾	—	—	—	—	—	—	—	205,322,875	—	—	—	—	—	—	—	—	—	—	—	—	—	—	205,322,875	6.075%	205,322,875	4.998%	
DST Global V, L.P. ⁽¹⁰⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12,007,228	0.355%	12,007,228	0.292%	

HISTORY AND CORPORATE STRUCTURE

Shareholders	Ordinary Shares	Series A		Series B		Series B-1		Series C		Series C-1		Series D		Series D-1		Series E		Series E-1		Series F-1		Series F-2		Aggregate number of shares of par value each as of the date of this prospectus ⁽¹⁾	Aggregate ownership percentage as of the date of this prospectus ⁽¹⁾	Aggregate number of shares of par value each upon the completion of the Global Offering ⁽²⁾	Aggregate ownership percentage upon the completion of the Global Offering ⁽²⁾
		Preferred Shares	Shares																								
Sequoia Capital China GF Holdco III-A, Ltd. ⁽¹¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	83,296,175	2.465%	83,296,175	2.028%	
SC GGFH Holdco, Ltd. ⁽¹¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14,008,433	0.414%	14,008,433	0.341%	
SCC Growth IV 2018-C, L.P. ⁽¹¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9,005,421	0.266%	9,005,421	0.219%	
SCC Growth IV 2018-B, L.P. ⁽¹¹⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,001,205	0.059%	2,001,205	0.049%	
Baidu (Hong Kong) Limited (百度(香港)有限公司) ⁽¹²⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Superior Leap Limited ⁽¹³⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Shunwei Growth II Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Shunwei Growth III Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CMC King Investment Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CMC King II Holdings Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CMC King III Holdings Limited ⁽¹⁴⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ran Liang Tai (Hong Kong) Investment Company Limited (潤良泰香港投資有限公司)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tigerub Anatole United Co., Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mega Glory Investment Limited (美濤投資有限公司)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
PV Position Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kuashou Opportunities Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CHINA INTERNET INVESTMENT FUND (中國互聯網投資基金(有限合伙))	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Concept Thrive Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Merit New Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dahua Investments Pte. Ltd. ⁽¹⁵⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Lupin TM 2 Co. Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
MIC Capital Management 20 RSC Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Library Group Volume I	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wen Yuan Ltd.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Jade Lane's Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
High Bliss Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Happy Elite Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

HISTORY AND CORPORATE STRUCTURE

Shareholders	Ordinary Shares	Series A		Series B		Series B-1		Series C		Series C-1		Series D		Series D-1		Series E		Series E-1		Series F-1		Series F-2		Aggregate number of shares of par value each as of the date of this prospectus ⁽¹⁾	Aggregate ownership percentage as of the date of this prospectus ⁽¹⁾	Aggregate number of shares of par value upon the completion of the Global Offering ⁽²⁾	Aggregate ownership percentage upon the completion of the Global Offering ⁽²⁾
		Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares	Preferred Shares	Shares				
Keystone KS Limited	—	—	1,281,155	—	—	—	—	1,282,611	—	—	—	—	—	242,582	—	—	—	—	—	—	—	—	2,806,348	0.083%	2,806,348	0.088%	
Kuan & Young KS Limited	—	—	1,465,659	—	—	—	—	1,467,324	—	—	—	—	—	277,517	—	—	—	—	—	—	—	—	3,210,500	0.095%	3,210,500	0.078%	
Franchise Fund LP ⁽¹⁶⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,768,741	0.112%	3,768,741	0.092%	
Employee Shareholding Platforms ⁽¹⁷⁾	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	260,616,743	6.344%	
Other public Shareholders pursuant to the Global Offering	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	365,218,600	8.890%	
TOTAL	930,672,259	356,224,601	474,997,455	6,416,275	282,319,024	42,728,141	186,068,877	407,226,905	200,120,473	34,306,363	104,576,622	354,162,343	3,379,829,338	100%	4,108,194,737	100%											

Notes:

- (1) Our Company will adopt a WVR Structure through two classes of Shares, Class A Shares and Class B Shares. Class A Shares entitle the Shareholders to 10 votes per share and Class B Shares entitle the Shareholders to one vote per share. Class A Shares and Class B Shares rank *pari passu* in all other respects. Each Ordinary Share held by Shareholders other than Reach Best and Ke Yong, and each Preferred Share will automatically convert into one Class B Share upon the completion of the Global Offering.
- (2) Assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme.
- (3) The entire interest of Reach Best is held on trust established for the benefit of Su Hua and his family members. Pursuant to the exercised options under the Pre-IPO ESOP, 56,961,183 Class B Shares will be issued to Reach Best upon the completion of the Global Offering.
- (4) The entire interest of Ke Yong is held on trust established for the benefit of Cheng Yixiao and his family members. Pursuant to the exercised options under the Pre-IPO ESOP, 45,568,873 Class B Shares will be issued to Ke Yong upon the completion of the Global Offering.
- (5) The entire interest of Fortune One is held on trust established for the benefit of Yin Xin and his family members.
- (6) The entire interest of Jovial Star is held on trust established for the benefit of Yang Yuanxi and his family members.

HISTORY AND CORPORATE STRUCTURE

- (7) 5Y Capital Shareholders include Morningside China TMT Fund II, L.P., Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-investment, L.P., and MSVC SPF II, L.P.
- (8) DCM Shareholders include DCM Ventures China Fund (DCM VII), L.P., DCM Ventures China Turbo Fund, L.P., DCM Ventures China Turbo Affiliates Fund, L.P., DCM VII, L.P., and A-Fund, L.P.
- (9) Tencent Shareholders include Tencent Mobility Limited, Morespark Limited, Parallel Nebula Investment Limited, Image Frame Investment (HK) Limited, and TPP Follow-on I Holding F Limited.
- (10) DST Shareholders include DST Asia IV and DST Global V, L.P..
- (11) Sequoia Shareholders include Sequoia Capital China GF Holdco III-A, Ltd., SCC Growth IV 2018-B, L.P., SCC Growth IV 2018-C, L.P., and SC GGFII Holdco, Ltd.
- (12) Baidu, Inc. has invested in the Company in its pre-IPO financing through Baidu (Hong Kong) Limited, an indirect wholly-owned subsidiary of Baidu, Inc..
- (13) Superior Leap Limited is indirectly controlled by Boyu Capital Fund IV, L.P.. Boyu Capital Fund IV, L.P. is advised by Boyu Capital Group Management Ltd.
- (14) GIC Private Limited, a cornerstone investor of our Company, is considered a close associate to CMC King III Holdings Limited pursuant to the Listing Rules and is not a close associate to CMC King Investment Limited nor CMC King II Holdings Limited.
- (15) Dahlia Investments Pte. Ltd. is an indirectly wholly-owned subsidiary of Temasek Holdings (Private) Limited.
- (16) Franchise Fund LP is formerly known as Franchise Fund Limited.
- (17) 260,616,743 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the completion of the Global Offering to our Employee Shareholding Platforms. For details of the Pre-IPO ESOP, see “Statutory and General Information” in Appendix V to this prospectus.

HISTORY AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

1. Overview

We have received six rounds of Pre-IPO Investments since our establishment, which are summarized below. All of our Pre-IPO Investors were issued Preferred Shares in the Company pursuant to the Pre-IPO Investments.

Round		Date of initial investment agreement	Closing date	Total number of shares under the investment agreement ⁽¹⁾	Cost per share paid to the Company ⁽¹⁾	Amount of consideration	Valuation of the Group (on a non-fully diluted basis) at each round of Pre-IPO Investment ⁽²⁾	Discount to the Offer Price ⁽³⁾
1.	Series A	June 20, 2014	June 20, 2014	356,224,601 Series A Preferred Shares	US\$0.0037 per Series A Preferred Share	US\$1,317,830	US\$38,000,000	99.97%
2.	Series B	July 18, 2014	July 22, 2014	474,997,455 Series B Preferred Shares	US\$0.0421 per Series B Preferred Share	US\$19,750,000 ⁽⁴⁾	US\$61,000,000	99.70%
		April 1, 2015	April 1, 2015	6,416,275 Series B-1 Preferred Shares	US\$0.3117 per Series B-1 Preferred Share	US\$2,000,000	US\$592,000,000	97.80%
3.	Series C	February 11, 2015	February 13, 2015	282,319,024 Series C Preferred Shares	US\$0.38963 per Series C Preferred Share	US\$110,000,000	US\$582,000,000	97.25%
		July 9, 2015	July 9, 2015	42,728,141 Series C-1 Preferred Shares	US\$0.46808 per Series C-1 Preferred Share	US\$20,000,000	US\$732,000,000	96.70%
4.	Series D	January 12, 2016	January 21, 2016	186,068,877 Series D Preferred Shares	US\$0.69061 per Series D Preferred Share	US\$128,500,000	US\$1,032,000,000	95.13%
		March 8, 2017	March 15, 2017	407,236,905 Series D-1 Preferred Shares	US\$0.85945 per Series D-1 Preferred Share	US\$350,000,000	US\$1,838,000,000	93.94%
5.	Series E	March 16, 2018	March 29, 2018	200,120,473 Series E Preferred Shares	US\$4.99699 per Series E Preferred Share	US\$1,000,000,000	US\$11,804,000,000	64.78%
		September 25, 2019	September 30, 2019	34,306,363 Series E-1 Preferred Shares	US\$5.24684 per Series E-1 Preferred Share	US\$180,000,000	US\$13,097,000,000	63.02%
6.	Series F	January 18, 2020	February 11, 2020	104,576,622 Series F-1 Preferred Shares	US\$5.73742 per Series F-1 Preferred Share ⁽⁵⁾	US\$600,000,000	US\$22,356,000,000	59.56%
		January 18, 2020	February 11, 2020	354,162,343 Series F-2 Preferred Shares	US\$6.84299 per Series F-2 Preferred Share ⁽⁵⁾	US\$2,400,000,000	US\$22,356,000,000	51.77%

HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) Between Series D financing and Series E financing, the Company conducted the Share Split, details of which are set out in “— Major Shareholding Changes of our Company”. The total number of shares under the investment agreements and cost per share paid to the Company for Series A to Series D financing have been adjusted to reflect the Share Split.
- (2) Based on the valuation conducted by an independent valuer.
- (3) The discount to the Offer Price is calculated based on the assumption that (i) the Offer Price is HK\$110.00 per Share, being the mid-point of the indicative Offer Price range of HK\$105.00 to HK\$115.00, and (ii) the Preferred Shares are reclassified as Class B Shares on a one-to-one basis.
- (4) Excluding the amount deemed paid upon the exercise in full of the relevant warrant to purchase Series B Preferred Shares.
- (5) Although Series F-1 round financing and Series F-2 round financing have the same initial investment agreement date and closing date, the cost per share for Series F-1 Preferred Shares and Series F-2 Preferred Shares are different. The cost per share for Series F-1 Preferred Shares was determined following arm’s length negotiations and taking into account the strategic relationship between the investor of Series F-1 Preferred Shares and the Group.

2. Principal terms of the Pre-IPO Investments and Pre-IPO Investors’ rights

Use of proceeds from the Pre-IPO Investments

We utilized the proceeds from the Pre-IPO Investments for the operations of our Company and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, the funds raised from the Pre-IPO Investments have not been fully utilized.

Strategic benefits the Pre-IPO Investors brought to our Company

At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors’ investments in our Company and their knowledge and experience. Our Pre-IPO Investors include renowned companies in relevant industries, which can help us achieve business synergies, and professional strategic investors, which can provide us with professional advice on our Group’s development and improve our corporate governance, financial reporting and internal control.

Our Company is also of the view that the Pre-IPO Investors’ investments demonstrated their confidence in our Group’s operations and served as an endorsement of our Company’s performance, strengths and prospects.

HISTORY AND CORPORATE STRUCTURE

Basis of determining the consideration paid	The consideration for the Pre-IPO investments were determined based on arm's length negotiations between the Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities.
Lock-up requirement under Guidance Letter HKEX-GL93-18	Tencent Shareholders and 5Y Capital Shareholders will retain at least an aggregate of 50% of their investments at the time of Listing for a period of at least six months following the Listing, in accordance with the Guidance Letter HKEX-GL93-18.

3. Special rights of the Pre-IPO Investors

All of our Pre-IPO Investors are currently bound by the terms of the currently effective articles of association of the Company, which will be replaced by our Articles effective upon the completion of the Global Offering. Pursuant to our amended and restated shareholders agreement dated February 11, 2020 entered into, among others, by the Company, holders of the Ordinary Shares and Preferred Shares (the “**Shareholders Agreement**”), the Pre-IPO Investors were granted certain special rights in relation to the Company.

The divestment rights granted to the Pre-IPO Investors under the Shareholders Agreement have been suspended immediately prior to the first submission of the listing application form to the Stock Exchange for the purpose of the Global Offering, and will only be exercisable if the Listing does not take place, otherwise such divestment rights will terminate upon the Listing. All other special rights under the Pre-IPO Investments that shall cease to be effective and be discontinued upon the Listing in accordance with the Guidance Letter GL43-12, including customary rights of first refusal, co-sale rights, pre-emptive rights, information rights, together with any restriction on our Company to issue or offer any shares options, warrants and rights to any direct competitor of a pre-IPO Investor, shall cease to be effective and be discontinued upon the Listing in accordance with the terms of the Shareholders Agreement.

All Ordinary Shares held by shareholders other than Reach Best and Ke Yong and all of the Preferred Shares will convert to Class B Shares of US\$0.0000053 par value each on a one-to-one basis upon the completion of the Global Offering at which time our share capital will comprise two classes of shares, Class A Shares and Class B Shares. For further information on the rights attached to our Class A Shares and Class B Shares, see “Share Capital.”

HISTORY AND CORPORATE STRUCTURE

4. Public Float

Upon the completion of the Global Offering (assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme), the shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Details of these Shareholders and their controllers are set out below:

- Reach Best, controlled by Mr. Su Hua, our executive Director, holding 11.79% of the issued share capital of the Company (on a one share, one vote basis);
- Ke Yong, controlled by Mr. Cheng Yixiao, our executive Director, holding 9.36% of the issued share capital of the Company (on a one share, one vote basis);
- Tencent Mobility Limited, Morespark Limited, Parallel Nebula Investment Limited, Image Frame Investment (HK) Limited and TPP Follow-on I Holding F Limited, which are all controlled by Tencent, collectively holding 17.74% of the issued share capital of the Company (on a one share, one vote basis);
- Morningside China TMT Fund II, L.P., Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-investment, L.P. and MSVC SPF II, L.P. collectively holding 13.70% of the issued share capital of the Company (on a one share, one vote basis);
- Fortune One, controlled by Mr. Yin Xin, the director of Beijing Kuaishou, a significant operating entity of our Company, holding 1.99% of the issued share capital of the Company (on a one share, one vote basis); and
- Jovial Star, controlled by Mr. Yang Yuanxi, the director of Beijing Kuaishou Ads, a significant operating entity of our Company, holding 1.70% of the issued share capital of the Company (on a one share, one vote basis).

Save as provided above, upon the completion of the Global Offering (assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme), the other Pre-IPO Investors will collectively hold 1,169,867,069 Class B Shares or approximately 28.48% of the issued share capital of the Company (on a one share, one vote basis).

HISTORY AND CORPORATE STRUCTURE

Save as disclosed above, no other Pre-IPO Investor is a core connected person of the Company, as defined in the Listing Rules. Therefore, the Shares held by the other Pre-IPO Investors will count towards the public float.

5. Information on the Principal Pre-IPO Investors

Set out below is a description of our principal Pre-IPO Investors, being private equity funds and corporations, and that have made meaningful investments in our Company (each holding between approximately 21.57% to 0.86% of our total issued and outstanding Shares immediately prior to the Global Offering (assuming all the Preferred Shares are converted into Class B Shares of par value of US\$0.0000053 each)).

Tencent Mobility Limited, Morespark Limited and Image Frame Investment (HK) Limited are private companies limited by shares incorporated in Hong Kong. Parallel Nebula Investment Limited is a Cayman Islands exempted company. TPP Follow-on I Holding F Limited is a limited liability company incorporated in the Cayman Islands (Tencent Mobility Limited, Morespark Limited, Image Frame Investment (HK) Limited, Parallel Nebula Investment Limited and TPP Follow-on I Holding F Limited are collectively referred to as “**Tencent Shareholders**”). Tencent Shareholders are ultimately controlled by Tencent Holdings Ltd, a global technology company listed on the Stock Exchange (stock code: 700). As of the date of this prospectus, the Tencent Shareholders collectively hold approximately 21.57% of the total issued and outstanding shares of the Company.

Morningside China TMT Fund II, L.P. (“**Morningside China TMT Fund II**”), Morningside China TMT Special Opportunity Fund, L.P. (“**Morningside China TMT Special Opportunity Fund**”), Morningside China TMT Fund III Co-investment, L.P. (“**Morningside China TMT Fund III Co-investment**”) and MSVC SPF II, L.P. (“**MSVC SPF II**”, and, with Morningside China TMT Fund II, Morningside China TMT Special Opportunity Fund, and Morningside China TMT Fund III Co-investment, collectively referred to as “**5Y Capital Shareholders**”) are private funds registered in the Cayman Islands. Morningside China TMT Fund II is controlled by Morningside China TMT GP II, L.P., its general partner, which is in turn controlled by TMT General Partner Ltd. Morningside China TMT Special Opportunity Fund and Morningside China TMT Fund III Co-investment are controlled by Morningside China TMT GP III, L.P., their general partner, which is in turn controlled by TMT General Partner Ltd. MSVC SPF II is controlled by MSVC SPF II GP, L.P., its general partner, which is in turn controlled by TMT General Partner Ltd. As of the date of this prospectus, the 5Y Capital Shareholders collectively hold approximately 16.66% of the total issued and outstanding shares of the Company.

HISTORY AND CORPORATE STRUCTURE

DCM Ventures China Fund (DCM VII), L.P. (“**DCM China Fund**”), DCM VII L.P. (“**DCM VII**”), DCM Ventures China Turbo Fund, L.P. (“**DCM China Turbo Fund**”), DCM Ventures China Turbo Affiliates Fund, L.P. (“**DCM China Turbo Affiliates**”), and A-Fund L.P. (“**A-Fund**”, with DCM China Fund, DCM VII, DCM China Turbo Fund and DCM China Turbo Affiliates, collectively referred to as the “**DCM Shareholders**”) are private equity funds registered in the Cayman Islands. DCM Investment Management VII, L.P., a Cayman Islands exempted limited partnership is the general partner of each of DCM China Fund and DCM VII and DCM International VII, Ltd., a Cayman Islands exempted company is the general partner of DCM Investment Management VII, L.P. DCM Turbo Fund Investment Management, L.P., a Cayman Islands exempted limited partnership is the general partner of each of DCM China Turbo Fund and DCM China Turbo Affiliates and DCM Turbo Fund International, Ltd., a Cayman Islands exempted company is the general partner of DCM Turbo Fund Investment Management, L.P. A-Fund Investment Management, L.P., a Cayman Islands exempted limited partnership is the general partner of A-Fund and A-Fund International, Ltd., a Cayman Islands exempted company is the general partner of A-Fund Investment Management, L.P. As of the date of this prospectus, the DCM Shareholders collectively hold approximately 9.23% of the total issued and outstanding shares of the Company. DCM is a venture capital firm with over US\$4 billion under management. Since 1996, it has invested in more than 400 technology companies across Asia and the U.S.

DST Asia IV is a Mauritius private company limited by shares and DST Global V, L.P. is a Cayman Islands exempted limited partnership (DST Global V, L.P. and DST Asia IV are collectively referred to as “**DST Shareholders**”). DST Asia IV is wholly owned by a Cayman Islands exempted limited partnership, which is controlled by DST Managers Limited, its general partner. DST Global V, L.P. is controlled by DST Managers V Limited, its general partner (DST Managers Limited and DST Managers V Limited are collectively referred to as the “**General Partners**”). The General Partners are ultimately controlled by Galileo (PTC) Limited, a BVI business company, as the trustee of The Cassiopeia Trust (the “**Cassiopeia Trust**”). The Cassiopeia Trust is an irrevocable discretionary trust established under the Laws of Jersey. As of the date of this prospectus, the DST Shareholders collectively hold approximately 6.43% of the total issued and outstanding shares of the Company.

Baidu (Hong Kong) Limited is a private company limited by shares incorporated in Hong Kong. It is indirectly wholly owned by Baidu, Inc. (“**Baidu**”), an internet technology company listed on the NASDAQ. Baidu, Inc. is a leading search engine, knowledge and information centered Internet platform and AI company. The company’s mission is to make the complicated world simpler through technology. As of the date of this prospectus, Baidu holds approximately 3.78% of the total issued and outstanding shares of the Company.

HISTORY AND CORPORATE STRUCTURE

Sequoia Capital China GF Holdco III-A, Ltd. (“**Sequoia Capital China GF Holdco**”) and SC GGFII Holdco, Ltd. (“**SC GGFII Holdco**”) are exempted companies with limited liability incorporated under the laws of the Cayman Islands. SCC Growth IV 2018-B, L.P. (“**SCC Growth IV 2018-B**”) and SCC Growth IV 2018-C, L.P. (“**SCC Growth IV 2018-C**”) (together with Sequoia Capital China GF Holdco and SC GGFII Holdco are collectively referred to as the “**Sequoia Shareholders**”) are exempted limited partnerships formed under the laws of the Cayman Islands. Sequoia Capital China GF Holdco is wholly owned by Sequoia Capital China Growth Fund III, L.P. (“**Sequoia Capital China GF III**”). SC GGFII Holdco is wholly owned by Sequoia Capital Global Growth Fund II, L.P. (“**SC GGF II**”) and Sequoia Capital Global Growth II Principals Fund, L.P. (“**SC GGPF II**”). As of the date of this prospectus, the Sequoia Shareholders collectively hold approximately 3.20% of the total issued and outstanding shares of the Company. SCC Growth IV 2018-B, SCC Growth IV 2018-C, Sequoia Capital China GF III, SC GGF II and SC GGPF II are investment funds whose primary purpose is to make equity investments in private companies.

Superior Leap Limited is an exempted company with limited liability incorporated under the laws of the Cayman Islands. It is indirectly controlled by Boyu Capital Fund IV, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. Boyu Capital Fund IV, L.P. is advised by Boyu Capital Group Management Ltd. (“**Boyu Capital**”). Boyu Capital provides investment advisory services to various China-focused investment funds which aim at providing growth and transformational capital for fast-growing businesses in Greater China. As of the date of this prospectus, Superior Leap Limited holds approximately 2.29% of the total issued and outstanding shares of the Company.

Dahlia Investments Pte. Ltd. is an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”). Incorporated in 1974, Temasek is a global investment company headquartered in Singapore. Supported by its network of international offices, Temasek owns a S\$306 billion portfolio as of March 31, 2020, with significant exposure to Singapore and the rest of Asia. Temasek’s investment activities are guided by four investment themes and the long-term trends they represent: Transforming Economies, Growing Middle Income Populations, Deepening Comparative Advantages, and Emerging Champions. As of the date of this prospectus, Dahlia Investments Pte. Ltd. holds approximately 0.86% of the total issued and outstanding shares of the Company.

HISTORY AND CORPORATE STRUCTURE

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

Based on the documents provided by the Company relating to the Pre-IPO Investments, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and updated in March 2017, Guidance Letter HKEX-G43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017 and Guidance Letter HKEX-44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

PRC REGULATORY REQUIREMENTS

According to the M&A Rules jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise through relevant agreements, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, 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 the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the opinion that, based on its understanding of the current PRC laws and regulations, prior CSRC approval for the Global Offering is not required because (i) WFOE and its wholly-owned PRC subsidiaries were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules. However, uncertainties still exist as to how the M&A Rules and other PRC laws and regulations will be interpreted and implemented or whether the relevant authorities would promulgate further requirements.

HISTORY AND CORPORATE STRUCTURE

SAFE REGISTRATION IN THE PRC

Pursuant to the SAFE Circular 37, promulgated by SAFE and which became effective on July 14, 2014 and replaced the SAFE Circular 75, (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore or domestic assets or equity interests in an Overseas SPV that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch 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. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that Overseas SPV 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 Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

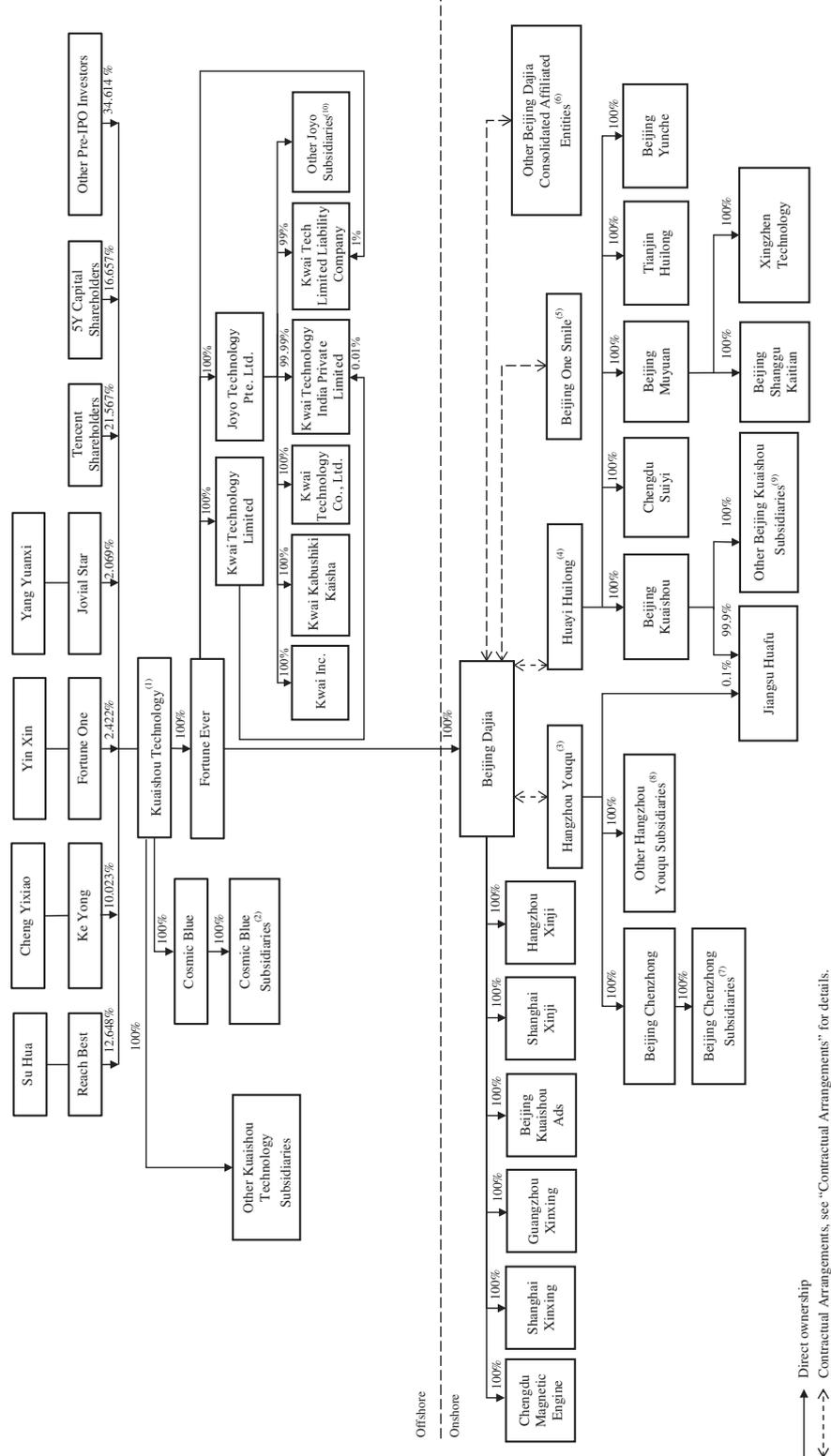
Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by SAFE and effective on June 1, 2015, the power to accept foreign exchange registration was delegated from local SAFE to qualified banks.

As advised by our PRC Legal Advisor, Mr. Su Hua, Mr. Cheng Yixiao, Mr. Yin Xin and Mr. Yang Yuanxi, who are PRC residents, have completed the foreign exchange registration in respect of their respective incorporation of Reach Best, Ke Yong, Fortune One and Jovial Star under the SAFE Circular 75 then in effect.

CORPORATE STRUCTURE

Corporate structure before the Global Offering

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately prior to the completion of the Global Offering:



HISTORY AND CORPORATE STRUCTURE

Notes:

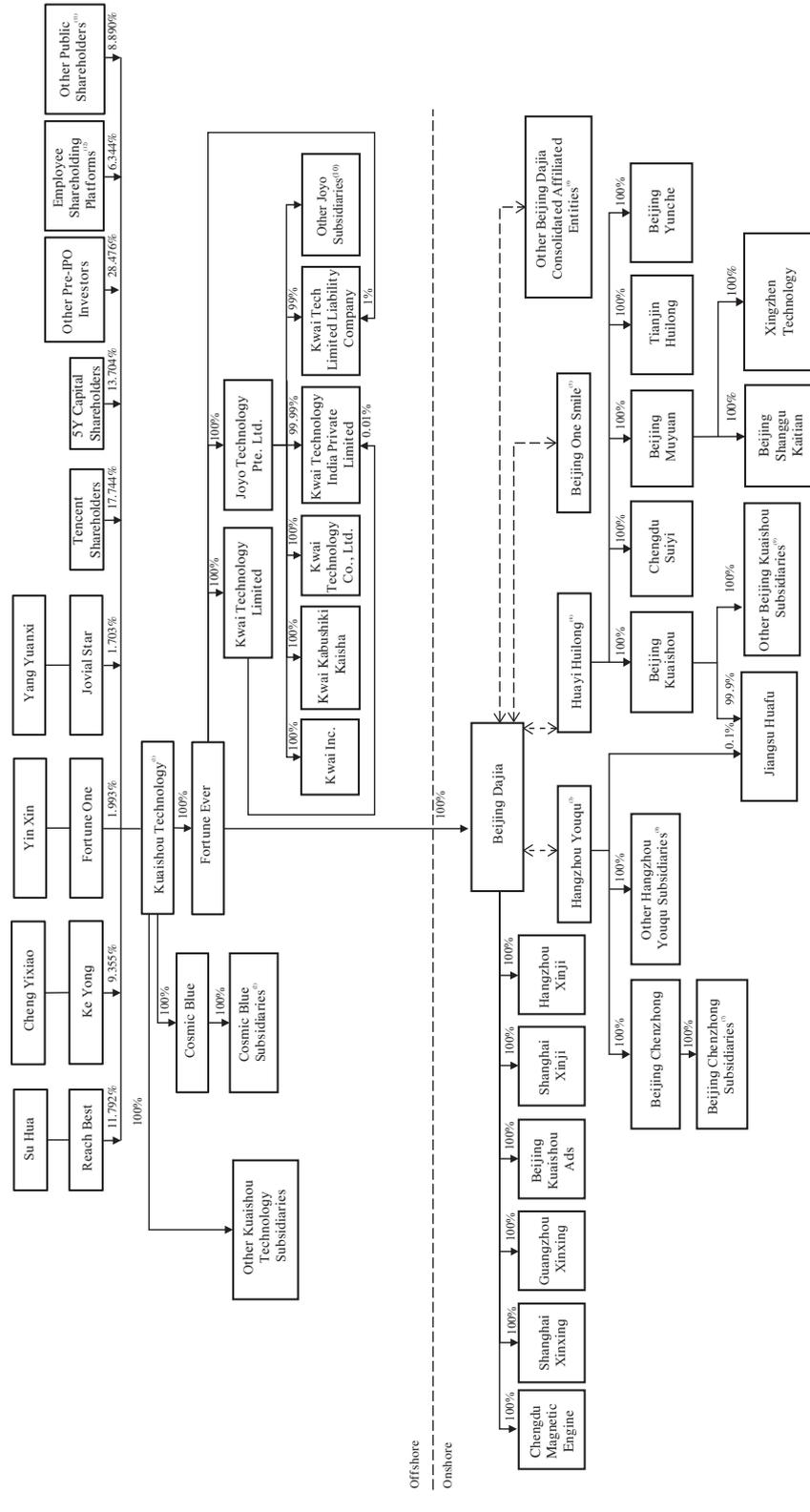
- (1) The Company will adopt a WVR Structure, effective immediately upon the completion of the Global Offering. For further details, refer to the details contained in the corporate structure immediately following the Global Offering and “Share Capital — Weighted Voting Rights Structure.”
- (2) Cosmic Blue Subsidiaries include the following companies:
 - a. the following companies directly wholly owned by Cosmic Blue: (i) Owlreality Holdings Limited, a company incorporated in the BVI, and (ii) Qrite, a company incorporated in the Cayman Islands;
 - b. the following company directly wholly owned by Owlreality Holdings Limited: Owlreality Group Limited, a company incorporated in the Cayman Islands;
 - c. the following companies directly wholly owned by Owlreality Group Limited: (i) Owlreality HongKong Limited, a company incorporated in Hong Kong, and (ii) OwlII Inc., a company incorporated in the United States; and
 - d. the following company directly wholly owned by Qrite: Qrite (Hong Kong) Holdings Limited, a company incorporated in Hong Kong.
- (3) Hangzhou Youqu is owned as to 90% and 10% by Su Hua and Peng Xiaochun, respectively.
- (4) Huayi Huilong is owned as to 90% and 10% by Yang Yuanxi and Peng Xiaochun, respectively.
- (5) Beijing One Smile is owned as to (i) 32.32% by Su Hua, (ii) 25.86% by Cheng Yixiao, (iii) 23.70% by Zhang Fei, (iv) 7.40% by Yin Xin, (v) 5.54% by Yang Yuanxi and (vi) 5.18% by Hu Changjuan.
- (6) Other Beijing Dajia Consolidated Affiliated Entities include the following PRC entities controlled through Contractual Arrangements: (i) Beijing Mufei, (ii) Beijing Zhongbo Keyuan, (iii) Beijing Hanyu, (iv) Sichuan Fuyuanchun (this company is in the process of being deregistered), (v) Beijing Murong, (vi) Guizhou Fankuai, (vii) Guizhou Fanxin Lingzhi; (viii) Huai’an Shuangxin; (ix) Beijing Qingque, (x) Beijing Jiawen, and (xi) Huankuai Technology. For details of Other Beijing Dajia Consolidated Affiliated Entities, see “Contractual Arrangements — Our Contractual Arrangements”.
- (7) Beijing Chenzhong Subsidiaries include the following directly wholly-owned subsidiaries of Beijing Chenzhong, all established in the PRC: (i) Beijing Ruigexing, and (ii) Hainan Ziyi.

HISTORY AND CORPORATE STRUCTURE

- (8) Other Hangzhou Youqu Subsidiaries include the following directly wholly-owned subsidiaries of Hangzhou Youqu, all established in the PRC: (i) Beijing Kuaifu'an, (ii) Huai'an Xingyi, (iii) Huai'an Kangxiangfu, and (iv) Wuhan Kuaishou.
- (9) Other Beijing Kuaishou Subsidiaries include the following companies, all established in the PRC:
- a. the following companies directly wholly owned by Beijing Kuaishou: (i) Wuhan Yuji, (ii) Xiong'an Kuaishou, (iii) Xiangxi Kuaishou, (iv) Chengdu Kuaigou, (v) Sichuan Kuaishou, (vi) Changsha Kuaishou, (vii) Kuaishou Smart Cloud, and (viii) Beijing Sairui Sidong;
 - b. the following company directly wholly owned by Beijing Sairui Sidong: Yooeee Xingji; and
 - c. the following company directly wholly owned by Yooeee Xingji: Beijing Danmu.
- (10) Other Joyo Subsidiaries include the following companies:
- a. the following companies directly wholly owned by Joyo Technology Pte. Ltd.: (i) Joyo Technology Colombia S.A.S, a company incorporated in Columbia, and (ii) Joyo Tecnologia Brasil LTDA., a company incorporated in Brazil; and
 - b. Joyo Technology Peru S.A.C., a company incorporated in Peru and owned as to 99% by Joyo Technology Pte. Ltd. and 1% by Qrite (Hong Kong) Holdings Limited, an indirect subsidiary of Cosmic Blue.

Corporate structure immediately following the Global Offering

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately following the completion of the Global Offering (assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme).



HISTORY AND CORPORATE STRUCTURE

Notes (2) to (10): See the details contained in the preceding pages.

- (1) The Company is controlled through a WVR Structure. Under this structure, the Company's share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder thereof to exercise 10 votes, and each Class B Share will entitle the holder thereof to exercise one vote, 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. For resolutions with respect to matters other than the Reserved Matters, immediately following the Global Offering, the percentage of voting rights that the WVR Beneficiaries, Su Hua and Cheng Yixiao can exercise through shares beneficially owned by them is 39.36% and 31.20% respectively. For further details, see "Share Capital — Weighted Voting Rights Structure."
- (11) The expected public float immediately following the completion of the Global Offering is approximately 43.71% on a one share, one vote basis (assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme), which comprises the shares to be held by the other public Shareholders and the other Pre-IPO Investors who are not core connected persons of the Company.
- (12) An aggregate of 260,616,743 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the completion of the Global Offering to our Employee Shareholding Platforms. For details of the Pre-IPO ESOP, see "Statutory and General Information" in Appendix V to this prospectus.

OVERVIEW

Our Mission

We aim to be the most customer-obsessed company in the world. Our mission is to help people discover their needs and use their talents in order to find their unique brand of happiness.

We are relentlessly focused on serving our customers and creating value for them through the continual innovation and optimization of our products and services. We seek to create a platform that is an authentic lens into the diverse and vibrant world we live in, enriching people's lives with interesting, useful, relevant and meaningful content. We believe everyone is unique and want to empower them to express themselves, be appreciated, and discover what makes them happy.

Who We Are

We are a leading content community and social platform. We believe each person is unique with his or her own needs and strengths. We believe engagement and interactions among people create value. As a result, we continuously improve and enhance our content creation tools and services that empower people to chronicle and share their life experiences, and showcase their talents. Additionally, we enable people to discover other creators and high quality content easily through our effective content discovery mechanism. Working closely with creators and businesses, together we provide more product and service offerings to our users, further enriching people's choices. Globally, we are the largest live streaming platform by gross billings from virtual gifting and average live streaming MPUs, the second largest short video platform by average DAUs, and the second largest live streaming e-commerce platform by GMV, all for the nine months ended September 30, 2020, according to iResearch.

Our Platform and Ecosystem

Our motto is to "embrace all lifestyles." It is the foundation of our philosophy and guides our aspirations. We wish to help our users discover a vast world of content that expands their interests and horizons and resonates well with them. Short videos and live streams have enhanced user experience and social interactions on our platform. Given the nature of our content, social connections and engagement based on common interests occur naturally. As a result, our platform fosters a vibrant ecosystem for users and businesses to interact on the basis of our deep and diverse content base.

BUSINESS

We aim to deliver on four core values through the user experience on our platform:

- ***Authentic:*** experience genuine emotions; allow for sincere expression; record spontaneous moments; share real-life stories;
- ***Diverse:*** be inclusive and respect differences; cherish diversity and culture; live in harmony;
- ***Beautiful:*** be happy and positive; have enjoyable experiences; and
- ***Beneficial:*** cultivate knowledge, perspectives, information and skills; foster comradery and trust; improve oneself and live one's best life.

Underlying our vibrant ecosystem is our deep and diverse content base as well as supporting technology, data and business layers. As the various parts of our platform work together, they enable numerous interactions among our ecosystem participants and generate significant network effects:

- ***Content.*** Our users have contributed to our vast and organically growing repository of short video and live streaming content as well as our community and the myriad social interactions and connections within it. We promote content on our platform that embraces all lifestyles and reflects the lives of our users. We believe this helps attract and keep users engaged on our platform. Leveraging technology and data, we are able to understand and identify needs that arise from different users and interest groups on our platform, and provide access to content and services that serve those interests and needs, thereby enhancing user engagement and retention.
- ***Business.*** We work with our business partners to provide products and services that address various needs that arise naturally on our platform. These products and services include entertainment, online marketing services, e-commerce, online games, online knowledge-sharing, and more. These products and services increase user engagement on our platform and strengthen the virtuous cycle among our users, content and business partners over time.
- ***Technology & Data.*** Our advanced technologies and massive data repository support our ecosystem. Our technologies enable us to serve the interests and needs of our users and cover various aspects of content creation, compression, transmission, analysis, recommendation, search and other fields. As users create and consume content and interact with each other, they generate valuable data that allows us to improve efficiency and develop new features that enhance the overall user experience.

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The diagram below illustrates our ecosystem and the interactions that occur within it. Users on our platform can access the rich content we have, create content through short videos or live streams, sell and purchase products, and more. Businesses on the other hand, can advertise and sell their products and services on our platform. As our users and businesses interact and engage with one another, they become more reliant on our platform.



Legend : Users denoted in yellow bubble | Businesses denoted in orange bubble |  Multifaceted Network Effects

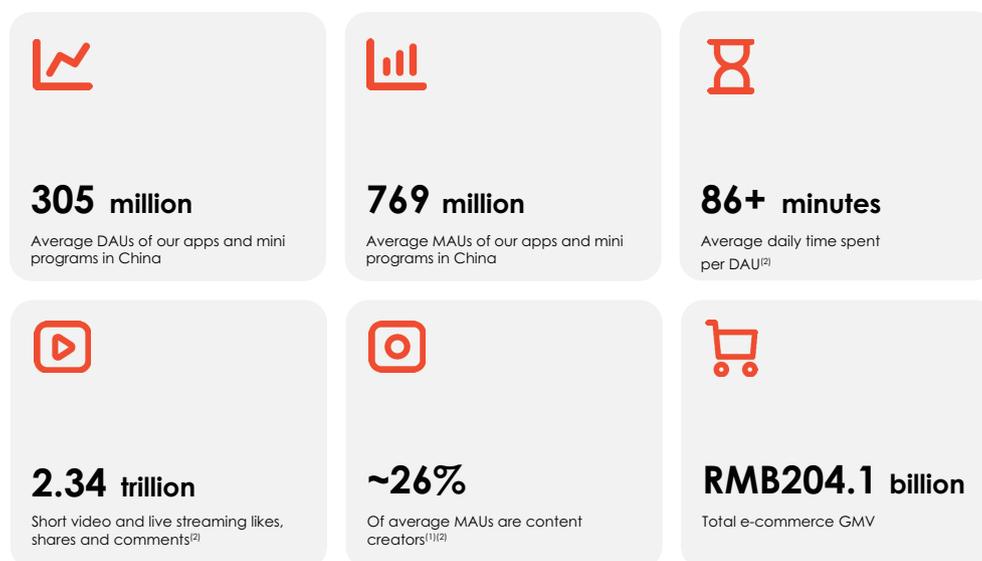
Value Proposition for Users and Businesses

- **Value Proposition for Users.** We provide our users with a safe and trusted platform for entertainment, learning, content creation and social interaction. We also provide them with the opportunities and tools to build and grow a following and monetize through their content.
- **Value Proposition for Businesses.** We provide businesses with online marketing solutions and an e-commerce marketplace that help them reach and engage their target customers. Our online marketing solutions are highly valuable and effective due to our vast and highly engaged user base, our ability to target users with precision, as well as our users' trust in our platform. Businesses can create short video or live streaming content that captures the attention of users and helps with their purchase decisions. Businesses can also use our platform as a distribution channel for various products and services.

OUR ACHIEVEMENTS

We are a pioneer in the global short video industry. Since our inception, we have been focusing on empowering users to record and share their lives through videos. Our original mobile app, *GIF Kuaishou*, was initially launched in 2011 as a tool for users to create and share animated images known as GIFs, which are in essence, the earliest form of short videos. In 2012, through the application of a series of technologies, we became the first mover in China's short video industry to enable users to create, upload and view short videos on mobile devices, according to iResearch. In 2013, we launched our short video social platform and in 2016, we launched live streaming as a natural extension to our platform to allow users to interact and engage in real time. According to iResearch, we were the first in China to apply deep reinforcement learning algorithms to the recommendations of videos on a large scale in the short video industry in 2018. In 2018, we also launched e-commerce to facilitate transactions within our ecosystem as user engagement continued to increase.

The following diagram shows our scale and user engagement metrics for the nine months ended September 30, 2020:



(1) Content creators calculated as the average number of unique user accounts per month that uploaded short videos plus the average number of unique user accounts per month that streamed content.

(2) On Kuaishou App.

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Today, Kuaishou is a household brand and is among the most widely used social platforms in China, according to iResearch. In the nine months ended September 30, 2020, there were 305 million average DAUs and 769 million average MAUs of our apps and mini programs in China. In the same period, our DAUs on average spent over 86 minutes per day on Kuaishou App and accessed Kuaishou App more than 10 times a day. We are the trusted destination for users to create and share content. According to iResearch, we ranked No. 1 in terms of activeness of our content community among the top video-based social platforms in China, with content creators constituting approximately 26% of our average MAUs on Kuaishou App in the nine months ended September 30, 2020. We also had approximately 1.1 billion average monthly short video uploads on Kuaishou App in the nine months ended September 30, 2020.

Access to our platform is free for all users. We monetize primarily through the sale of virtual items, provision of various forms of online marketing services, and commissions from e-commerce sales on our platform. We are actively developing additional monetization opportunities to diversify our revenue streams through online games, online knowledge-sharing and other products and services.

Our revenues grew rapidly during the Track Record Period from RMB8.3 billion in 2017 to RMB20.3 billion in 2018, and further to RMB39.1 billion in 2019, and up from RMB27.3 billion in the nine months ended September 30, 2019 to RMB40.7 billion in the nine months ended September 30, 2020.

OUR STRENGTHS

Dedication to an authentic user experience

Ever since inception, we have believed that in order to provide users with an interesting, beneficial and inspiring experience, we must ensure the authenticity of the user experience. By focusing on authenticity, we are able to create a longer-lasting, diverse, inclusive and vibrant community. Our industry-leading AI and big data-powered personalized recommendation engine provides our users with a diverse range of content and content creators. As a result, our content matches a broader set of interests and needs, and motivates our users to continually create new and unique content. The result is greater diversity of content from an increasing number of content creators who have the chance to be seen and heard. This is best demonstrated by the fact that nearly 40% of the short videos on Kuaishou App had more than 100 accumulated views as of September 30, 2020. We purposefully allocate exposure to a broader set of content creators whereas other social platforms focus more on recommending content created by key opinion leaders or other popular content creators, according to iResearch. The broad exposure that we provide to users on our platform results in a more authentic content community. We also believe

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this approach allows us to benefit from significant network effects. As more users are attracted to our platform, they fuel a virtuous cycle of content creation and consumption, as well as user engagement on our platform.

In addition to diversity of content, we strive to make our products fun and accessible for every user. We provide smart tools that simplify content creation workflows to empower the everyday person to create and share. In terms of app design, we offer both dual-column thumbnail and swipe-up-and-down personalized feed formats and operate variants of our Kuaishou App to appeal to users with different needs and preferences. We will continue to innovate and push boundaries in order to satisfy the needs of our users, improve their experiences and exceed their expectations.

Pioneer and global leader in short video and live streaming

We pioneered the short video industry globally when we launched our short video social platform to address users' social and entertainment needs during their fragmented time. In 2016, we were the first to launch a new short video and live streaming-based business model in China with richer and more interactive content, according to iResearch. In 2018, we pioneered an innovative monetization model by launching a matrix of products and services built on our content. As the first mover in short video and live streaming-based social platforms, we have developed deep insights into user interests and preferences from which we continue to enhance our products and services.

Globally, we are the largest live streaming platform by gross billings from virtual gifting and average live streaming MPUs, and the second largest short video platform by average DAUs in the nine months ended September 30, 2020, according to iResearch. We had a massive content base of approximately 29 billion uploaded short videos as of September 30, 2020.

We have a large user base with 483 million average MAUs and 262 million average DAUs on our Kuaishou App for the nine months ended September 30, 2020. Propelled by word-of-mouth and the highly social nature of our platform, average DAUs of Kuaishou App have grown rapidly, from 67 million in 2017 to 117 million in 2018, and further to 176 million in 2019, and from 165 million for the nine months ended September 30, 2019 to 262 million for the nine months ended September 30, 2020.

Highly engaged user base and trusted social experience

We are a favored destination for users to record and share their lives. Our users are highly active. Our DAUs on average spent over 86 minutes per day on Kuaishou App and accessed it more than 10 times a day in the nine months ended September 30, 2020. Additionally, according to iResearch, we ranked No. 1 in terms of activeness of our content community among the top video-based social platforms in China, with content creators constituting approximately 26% of our average MAUs on Kuaishou App in the nine months ended September 30, 2020. As a result of the engagement, our content base is growing rapidly and organically. In the nine months ended September 30, 2020, we had approximately 1.1 billion average monthly short video uploads and nearly 1.4 billion live streaming sessions hosted on Kuaishou App.

In addition to engagement around our content, there are also significant connections and interactions among users on our platform. As of September 30, 2020, we had over nine billion pairs of mutual follows, defined as two users that follow each other, on Kuaishou App. In the nine months ended September 30, 2020, we had an aggregate of 2.2 trillion likes, 173 billion comments and 9 billion shares among short videos and live streams on Kuaishou App.

The engagement on our platform results in social trust that encourages more active and deeper interactions and transactions between users and businesses. This is evidenced by the significant growth of our e-commerce business. We started our e-commerce business in 2018 and in the nine months ended September 30, 2020, we achieved total GMV of RMB204.1 billion.

Innovative and industry-leading AI and big data technologies

We have invested significant resources in our data and technology infrastructure. Our team of over 6,500 research and development staff has developed industry-leading capabilities in AI, big data analytics and other technologies. The technologies we developed have directly contributed to the popularity of our platform and our superior user experience.

First, our deep reinforcement learning-based personalization engine is built for short video and live streaming content recommendations. Our personalization engine allows us to keep users engaged with interesting and useful content and connects them with content creators based on their common interests. It is one of the few at scale globally that applies different algorithms to optimize for both dual-column thumbnails and swipe-up-and-down personalized feeds, which allows us to cater to a broader set of user preferences and conduct joint deep learning from both sets of data.

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Second, leveraging computer vision and machine learning, we offer a wide array of filters, stickers and AR effects that make video content even more lively for our users. For example, our users can swap their expressions and actions with cartoon characters, combine landmark buildings with dynamic cartoon images and see what they would look like at a different age using a smart filter, and share these effects with others through short videos and live streams. These features foster an interactive and enjoyable experience for content creators and viewers, which in turn contribute to the richness of content and interactivity in our ecosystem.

Additionally, we have developed proprietary video and live streaming technologies that facilitate high-quality content transmission. We developed an industry-leading video codec, Kuaishou Video Coding (KVC), which can significantly reduce the size of the media files given the same subjective quality and improve the smoothness of video playback. According to iResearch, KVC is more advanced compared to existing coding standards adopted by other short video platforms in terms of saving network bandwidth while preserving video quality. We also developed a private transmission protocol, Kuaishou Transmission Protocol (KTP), and an adaptive bitrate streaming standard for our live streams, Live Adaptive Streaming (LAS), and utilize joint source channel coding technology to adapt the quality of streaming sources with the fluctuation of network conditions encountered in the real world, significantly improving the upload speed and transmission stability of live streaming signals on weak networks. As a result, we can provide a live streaming experience that is smoother with higher resolution and lower latency, thereby increasing user engagement.

Our technologies are built on a hyperscale big data computational engine that can handle exabyte scale data, including our library of approximately 29 billion uploaded short videos as of September 30, 2020, as well as a proprietary MMU algorithm that can conduct real-time analysis on over 15 million videos and over one million hours of live streams every day. These technologies allow our platform to continue to scale and are an important aspect of our technological and data moat.

Multifaceted network effects and multiple monetization levers

Our platform enjoys powerful network effects. The more users use Kuaishou App, the more diverse and vibrant our ecosystem becomes, which increases user engagement and the value we provide to our ecosystem participants. This in turn attracts more users, advertisers, merchants and other business partners to our platform.

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We have developed a monetization model covering a matrix of products and services to address the myriad user needs derived from our ecosystem. In our ecosystem, participants play dynamic roles in different businesses that are originated from the rich interactions of ecosystem participants. We currently monetize primarily through live streaming, online marketing services and e-commerce. We are the world's largest live streaming platform by gross billings from virtual gifting and average live streaming MPUs in the nine months ended September 30, 2020, according to iResearch. The vibrancy of our ecosystem attracts advertisers from many industries, which has led to rapid growth in our online marketing services revenue from RMB1.7 billion in 2018 to RMB13.3 billion for the nine months ended September 30, 2020. We started our e-commerce operations in 2018 and were the world's second largest live streaming e-commerce platform in terms of GMV in the nine months ended September 30, 2020, according to iResearch. The user needs that arise naturally from our ecosystem create many other monetization opportunities for us to pursue, including online games, online knowledge-sharing and more.

Management's dedication to long-term vision

Our management team pioneered the short video and live streaming platform model globally. Our co-founders Mr. Su Hua and Mr. Cheng Yixiao are visionaries who envisaged the market potential of content-based social platforms and have a complementary combination of product and engineering expertise.

Mr. Su Hua and Mr. Cheng Yixiao, sharing the common philosophy that everyone's stories are worth chronicling, have been steering us to pursue the vision of empowering people to discover their unique happiness with technology. Our core values of authentic, diverse, beautiful and beneficial reflect the personal values of our co-founders. Their embrace of these values drove them to build a technology platform designed to elevate the often overlooked, yet diverse, vibrant and energetic communities of people in China.

Our management team has a steadfast dedication to our mission and core values, always putting users first and relentlessly focusing on satisfying their needs and exceeding their expectations. The fundamental measure of our success is the value we create for our ecosystem participants and society over the span of multiple decades. We are accountable to our users to continue to improve ourselves, pursue long-term success over short-term interests, and contribute to the overall happiness of our society.

OUR STRATEGIES

Continue to exceed user expectations

We aim to continue improving our existing products and services and launch new products and services to serve our mission. We will continue to improve the quality, relevance and diversity of the content on our platform to cover a more comprehensive range of topics, interests and formats. We also plan to expand our product and service offerings to fulfill the myriad user needs that arise naturally on our platform. The combination of these efforts will help us retain existing users, attract new users, increase user engagement and provide a better overall user experience.

Continue to strengthen our technology

We will continue to invest in technology and utilize the power of AI and big data technologies to better serve our users and stay ahead of competition. We will continue to develop our technological capabilities in areas such as personalized recommendation, content and data analytics, and to improve our user experience and engagement. We will continue to update our video compression and live streaming technologies in order to provide an even better user experience by ensuring high video quality, lower latency, faster upload speed and transmission stability under various network conditions. We will also continue to improve our machine learning, computer vision and computer graphics capabilities to provide new and attractive content creation tools to our users to further encourage content creation and interaction among users on our platform. In addition, as the amount of data generated and stored on our platform continues to grow, we will concurrently scale up our network infrastructure to support this growth. Finally, we plan to continue to recruit top-notch industry talents, including researchers, experienced engineers and graduates from world-renowned institutions for these purposes.

Further expand our ecosystem and monetization capabilities

We plan to further expand our massive, growing and highly-engaged user community, which naturally gives rise to user needs which in turn create multiple monetization opportunities. We plan to further expand our product and service offerings, which will increase and diversify our revenue streams, improve our gross profit margin and enhance our profitability. We also plan to increase the number of paying users and the spending of our paying users by raising their awareness of our multiple paid products and services.

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In our live streaming business, we plan to further strengthen our leadership position in terms of gross billings from virtual gifting and average live streaming MPUs by further enhancing our content offerings and providing a broader range of content themes that appeals to our users and enables content creators to thrive on our platform. To this end we will also continue to enhance the interactive features on our platform to promote interaction and user engagement and convert relatively passive viewers to paying users in our ecosystem.

For online marketing services, we will continue to promote our services and seek to introduce innovative formats and options. In particular, we will continue to enhance our native advertising solutions and leverage the vast amount and diversity of content on our platform, as well as our AI and big data capabilities, to provide our customers efficient and user-contextual advertising solutions with minimal disturbance to the user experience.

As a leader in live streaming e-commerce in China, we will continue to drive e-commerce transactions by providing a seamless product discovery and purchase experience for our users. We plan to continue promoting user trust on our platform to increase opportunities for merchants to connect meaningfully with their customers and facilitate e-commerce transactions on our platform.

Finally, we will seek opportunities to capitalize on other promising opportunities as our ecosystem evolves, including online games, online knowledge sharing and other products and services.

Selectively pursue strategic alliances, investments and acquisitions

To complement our organic growth strategy, we will continue to selectively pursue strategic alliances, investments and acquisitions that can strengthen our technological capabilities, and broaden our user base and product and service offerings, as well as our ecosystem generally. In the past, we have primarily made strategic acquisitions and investments in areas such as content, social entertainment and software. We will continue to seek out potential businesses and assets that are complementary to and have synergies with our current business and that will help us attract and retain users. In particular, we seek to make investments in products and services that address the user needs that arise from the interactions among our ecosystem participants. We aspire to work with our business partners to provide more diverse and better products and services for our users. By expanding our ecosystem, we seek to continue to grow our business and further provide value to our customers.

OUR PRODUCTS

Kuaishou App

Users access our platform primarily through our family of mobile apps comprising Kuaishou Flagship, Kuaishou Express and Kuaishou Concept, which we refer to collectively as Kuaishou App. User-friendly and easy to navigate, Kuaishou App enables users to discover and find content, be social and engage with others, as well as create content and express themselves.

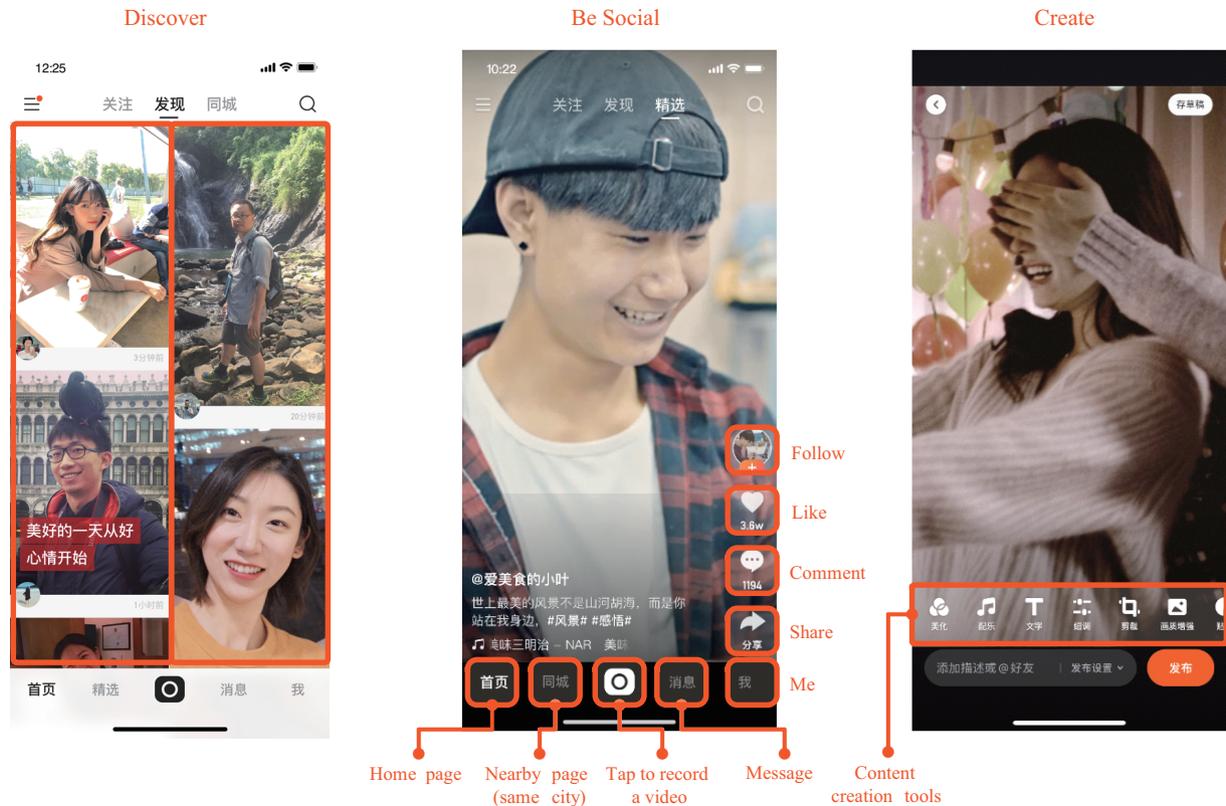
Discover Content. Kuaishou App is built to enable users to discover interesting, useful and meaningful content. It features personalized feeds of short videos and live streams presented in either a dual-column thumbnail format or a swipe-up-and-down format, which facilitates effective content discovery based on each user’s interests. The dual-column thumbnail format allows users to scroll through recommended thumbnail images to select content to view based on their preferences and the attractiveness of the thumbnails. In contrast, the swipe-up-and-down format automatically displays the next recommended video when the user swipes up, introducing an element of surprise as well as testing undiscovered user preferences. By offering both formats, we can cater to a broader set of user preferences, as well as study valuable user behavioral data to refine our industry-leading AI and big data technology for video content understanding and recommendation and enhance user experience. Users also have the option to use our AI-powered keyword search function to quickly find content that interests them.

Be Social and Engage With Others. Interwoven with the deep pool of content on our platform is a network of social connections among users that routinely follow each other in-app, comment on and share each other’s content, socialize in our live streaming rooms, and transact with businesses that provide products and services on our platform. Kuaishou App’s suite of social features also includes a function for users to discover things going on in their neighborhood and content shared by people nearby, as well as a dedicated “follow” tab where users can see content created by the users they follow. All of these stimulate user engagement and further propels social interactivity and content creation on Kuaishou App, creating one of the most dynamic content-based social platforms on the market.

Create Content and Express Themselves. We inspire and empower users to create and share short videos, live streams and other forms of content. We embrace all lifestyles and originality, providing a stage for anyone to unleash their talents and express themselves in unique ways. Kuaishou App comes with powerful and intuitive tools to help users create new and interesting content directly on their mobile phones. In-app, users can easily record videos in multiple format lengths, slow or speed up time, add pause points, choose aspect ratios, add music and photos and play with various AI-powered filters and Special Effects. We aim to instill a sense of ownership

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and pride among our users through participation in the creation of content on our platform, inspiring users to express themselves and realize their intrinsic value, in order to enhance users' sense of community.



Kuaishou Flagship and Kuaishou Express are our two most popular apps, which we have designed to cater to different user needs in line with our philosophy of embracing all lifestyles. Kuaishou Flagship was derived from our original mobile application launched in 2011 and is our most fully-featured app. Kuaishou Flagship encourages content creation through a broader set of editing tools.

Kuaishou Express is a variant of Kuaishou Flagship that we officially launched in August 2019 in order to attract a broader set of users. While Kuaishou Express comes with many of the features of Kuaishou Flagship, it focuses on providing users with a more immersive content consumption experience through a simpler interface, and is designed to work better with a wider range of mobile phones. A significant proportion of user time spent on Kuaishou Express is with the swipe-up-and-down format which enables them to view content seamlessly. As compared to Kuaishou Flagship, Kuaishou Express attracts a larger proportion of its users from the southern regions of China. In August 2020, in just one year after its official launch, average DAUs on Kuaishou Express exceeded 100 million.

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Kuaishou Concept is an app that we launched in November 2018 to explore different user needs and preferences and features a borderless screen design. Kuaishou Concept also features a more tailored selection of content in terms of production quality. We use Kuaishou Concept as an experimental app to test the effectiveness of new features before incorporating those features into our other apps.

Our users can also access our platform via mini programs, mobile web pages and websites, which are extensions of our Kuaishou App primarily to facilitate content sharing and user acquisition. Our mini programs are programs embedded in third party platforms such as Weixin or QQ, from which our users can access our content and services through the respective third party platforms to fulfill their needs.

Other Apps

We also offer various other apps and tools to assist our users and businesses in connection with various activities on our platform.

Content Creation Tools

We have developed simplified and advanced versions of editing apps that make content editing more accessible to everyday users and enhance the workflow of our content creators. These apps allow users to take photos or record videos on their mobile phones, and provide users with a suite of filters, music, sound effects and other ways to creatively edit videos, which can then be directly uploaded to our platform. We also offer a streaming assistant app that allows streamers to stream live games from their desktop computers directly on our platform, which gives our users further options around the type of games beyond mobile games that can be streamed and enjoyed on our platform.

Merchant-Facing Tools

We offer our e-commerce merchants a convenient app that allows them to manage their online stores on our platform through their mobile phones. Through our app, merchants can see sales data, manage inventory, communicate with buyers and access various other tools to help them in the day-to-day management of their online stores on our platform.

Mid- to Long-Form Content Community

We offer an app for longer content formats which provides more forms of content to our users, attracts additional users to our platform and satisfies the needs of content creators to create content with different formats and lengths to express themselves.

International Apps

We also offer international variants of our short video and live streaming apps and related tools.

OUR CONTENT COMMUNITY

Our users form the bedrock of our content community and are the source of endless creativity. We have a close-knit and inclusive user community that enables individuals to share their lives with other people. Our powerful and intuitive tools and technology make it possible and easier for the everyday user to produce a variety of compelling content, further boosting content creation on our platform and building an increasingly vibrant and dynamic content community.

Content Formats

Short videos

Short videos are the primary form of content generated and consumed by users on our platform. Short videos convey the essence of a moment through a rich combination of dynamic visual and auditory information in a span of seconds and have the potential to go viral. By promoting a culture of authenticity and diversity and providing easy-to-use tools for any user to be their own producer, we have democratized the content creation process and truly built a platform showcasing the real lives of everyday users. In the nine months ended September 30, 2020, we had approximately 1.1 billion average monthly short video uploads on Kuaishou App. As of September 30, 2020, approximately 29 billion short videos have been uploaded to Kuaishou App. The vast number of short videos created and watched on our platform has provided us with a rich pool of data which we have used to refine our recommendation algorithms to improve user experience.

Live streams

We launched the live streaming function on our platform in 2016. We view live streaming as a natural extension to short video that allows users to be social and engage in real time. Live streaming sessions can be in one of several formats, including one-to-many, PK and multi-party streams. Similar to our short videos, we have provided the everyday user with an accessible and powerful platform on which to stream and interact with other users. In the nine months ended September 30, 2020, nearly 1.4 billion live streaming sessions were hosted on our Kuaishou App.

Other content

We also let users upload photos in the form of slideshows, as well as post updates to their activities feed in the form of pictures and text to share their thoughts with followers and document memorable moments in their lives.

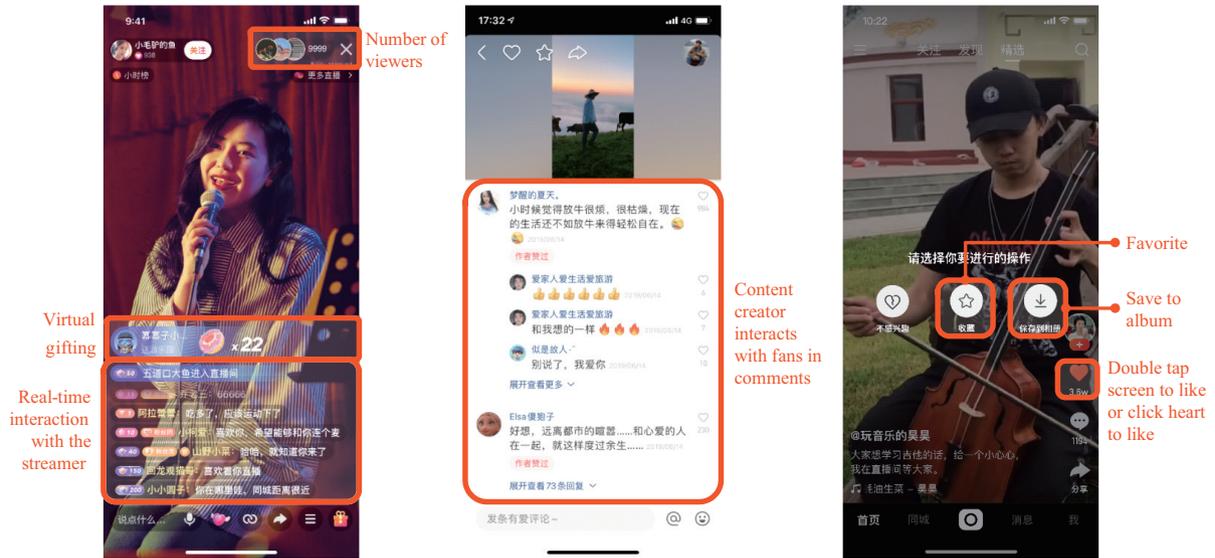
Content Genres

We are a content-based social platform covering a range of topics that addresses diverse user interests and needs, and helps users develop or discover new interests as well. While a lot of our content is entertaining, our content is also useful and helpful in our users' daily lives or career development. Our content recommendation system caters to each user's preferences by providing a personalized experience on Kuaishou App.

Content on our platform covers a vast range of topics, among which we are able to identify and tag hundreds of the most viewed categories. Some examples of popular content categories on our platform include lifestyle, humor, talent, food, travel and parenting. In addition, Kuaishou has become home to many niche communities and interest groups with thousands or even millions of users sharing common interests, including those centered around cultural heritage, life skills, knowledge-sharing, personal health and other novel and unexpected interests. Whether it is the budding musician, technology enthusiast, fitness buff, housewife, businessperson, or farmer, there is something for everyone on Kuaishou. All of this reflects both the diversity of our content and our dedication to chronicling and elevating the lives of ordinary people in an authentic way.

Interactive Features

We provide our users with various channels to interact with each other to form a vibrant and engaged social community. User interactions on our platform primarily revolve around the content on our platform, through which users can share similar interests and bond with each other. Some of the most common interactive features on our platform include likes, shares, follows, comments, messages, gifting, PK and multi-party streams.



Likes, shares and follows

Users can like content to support creators by sending a “heart”. Users can also share interesting or useful content with other people. The follow function allows users to follow a content creator and see all of their content and updates to their posts and activities on the platform as well as receive notifications when the content creator uploads new content. In the nine months ended September 30, 2020, we had an aggregate of 2.2 trillion likes and 9 billion shares among short videos and live streams on Kuaishou App. Mutual followers are users that follow each other, which is one of the ways users share mutual interests and help each other increase their following base. Likes, shares and follows, including mutual follows, all contribute to social connections and user engagement. Mutual follows, in particular, are reflections of the reciprocal and close-knit relationships we enable on our platform. As of September 30, 2020, we had over nine billion pairs of mutual follows on Kuaishou App.

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Comments

Users leave comments to a short video to share their reactions and communicate with other users who have similar interests and needs. A user can also like a comment, and comments with more likes get placed further up the comment thread. A user may also reply to another user's comment to continue a particular conversation in the comments section. In live streaming rooms, users comment and communicate with each other and interact with the streamer in real time. In the nine months ended September 30, 2020, our users left 173 billion comments among short videos and live streams on Kuaishou App.

Messages

Users have the option of sending private messages to each other. In the nine months ended September 30, 2020, our users sent over 61 billion messages across our platform.

Gifting

We provide a virtual gifting function for live streams. Users purchase virtual items using KwaiCoins and gift these virtual items to streamers as a gesture of friendship, appreciation, admiration or support. We offer a wide variety of virtual items on our platform at different price points. As of September 30, 2020, the prices of our virtual items in RMB-equivalent terms range from approximately RMB0.1 to approximately RMB2,000. Our diverse selection of lower-priced virtual items makes it easy for users to show appreciation for each other through small gifts and allows users to familiarize themselves with the gifting function, while higher-priced virtual items give a chance for users to obtain peer recognition during a live stream. We also frequently release new virtual items related to current events and cultural trends.

PK

The PK feature enables one streamer to compete against another in PK battles. We offer a PK stream room that streamers and users can join. The streamer that receives more virtual items from the viewers during a set amount of time wins the PK. The competitive environment induced by PK increases user engagement and encourages virtual gifting. In the nine months ended September 30, 2020, Kuaishou App facilitated 566 million PK sessions among our streamers.

Multi-party streams

We also offer functions that allow more than one party to join a stream room. One of these functions allows a streamer to let one of the viewers join a live streaming session to interact with the streamer by sending an invitation to a viewer or accepting a request from a viewer to join the stream. After the streamer and viewer accept, the screen of the selected viewer can be seen by the streamer and other viewers. Another function allows a streamer to invite up to seven guests to chat and socialize with each other in an audio chat room. These functions allow our users to socialize and interact with each other in live streaming rooms more directly, create a fun and lively experience and create a more personal environment.



The screen of selected viewers



Chat and socialize in an audio chat room

OUR USERS

We have a massive and engaged user base that broadly resembles the population distribution of mobile internet users in China across genders, age and geographic location. A user can take on multiple roles — enjoy the rich content as a viewer and become fans of content creators; express him or herself as a content creator by creating and sharing short videos for other users to enjoy or streaming to dynamically interact with other users; engage in transactions as a buyer or seller on our e-commerce marketplace; and more. In the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, our Kuaishou App had 67 million, 117 million, 176 million and 262 million average DAUs, respectively, and 136 million, 241 million, 330

million and 483 million average MAUs, respectively. In the nine months ended September 30, 2020, our DAUs on average spent over 86 minutes per day on Kuaishou App and accessed Kuaishou App around 10 times a day.

We are committed to making our platform authentic, diverse, beautiful and beneficial. Our personalized content recommendation system aims to provide users with diverse and balanced content and avoid preferential treatment based solely on a creator's popularity or traffic. As a result, we have successfully nurtured social trust in our user community. Users in our community from all walks of life interact with each other as peers based on shared interests, emotional connections and a sense of belonging, which has fostered a highly engaged and active user community. As of September 30, 2020, over 537 million users had uploaded a short video on Kuaishou App.

Case Studies

In addition to fulfilling our users' needs for emotional connection, community and desire to discover new and interesting things, our platform helps many ordinary people improve their lives by providing new opportunities to share and monetize their talents. To put the impact of our platform into context, in 2017, 2018 and 2019, and the nine months ended September 30, 2020, approximately 6 million, 18 million, 23 million and 23 million users, respectively, had earned money in some form on Kuaishou App. Below are just a few examples of real-life success stories of ordinary users that have truly changed their lives and the lives of others through our platform. We are most proud of the fact that our platform can act as a service that helps ordinary people of all backgrounds realize their innate potential and live a life of greater dignity.

“Hopeless Edison” thinks outside the box

One of our users, whom many fans refer to as “Hopeless Edison”, bounced around many jobs from a young age. Despite having a knack for inventing and assembling machinery, he had not been able to find a true outlet for his passions. Things took a turn in 2017 when he found a new calling sharing his quirky inventions on Kuaishou App. In his videos, he demonstrates how he builds and uses his often “unnecessary” inventions, all with tongue-in-cheek commentary. He sells various handicrafts through Kwai Shop. At once hilarious and endearing, superfluous and creative, he has gained millions of fans on Kuaishou App that are intrigued by his unique inventions and delighted by his positive and lighthearted content. “Hopeless Edison” provides fans across China with a sense of hope, a sense that things can be taken a little less seriously, and a sense that we can all think a bit outside the box. Our platform acts as a window through which ordinary people can discover a broader world and meet interesting people, supporting a belief that one's talents are just waiting to be discovered.

Chemistry experiments with member of the Royal Society of Chemistry

One of our users is a foreign chemistry professor that moved to China from England with the mission of spreading knowledge and love of chemistry to all corners of China, down to local villages, and especially among children. This professor chose Kuaishou App as the platform from which to accomplish his mission due to our broad reach and diverse user base, and began sharing videos of homemade chemistry experiments on Kuaishou App in 2018, speaking to viewers in Chinese. His chemistry experiments have been a huge hit on Kuaishou App, with most of his videos getting millions of views. His videos create a friendly, lively and interactive environment among users, and have also provided him the opportunity to sell chemistry courses and learning kits on our platform and make learning more accessible to a broader population. Through Kuaishou App, the professor has been able to instill a sense of curiosity and appreciation for science among countless children as well as adults through educational and entertaining videos. Kuaishou App plays a role in making knowledge more fun and accessible.

OUR BUSINESS PARTNERS

Our platform presents a compelling proposition to our business partners. We have a large and diverse active user base, deep pool of content, outstanding AI capabilities and a user community built on trust. Our ecosystem presents a prime opportunity for our business partners to reach and engage with their target customers.

Advertisers

We work with multiple types of advertisers in connection with our online marketing services. We work with major third-party advertising agencies, brands and retailers advertising their own products, as well as individual content creators promoting themselves on our platform. Our advertisers represent a broad range of industries including, but not limited to, e-commerce, online games, communications, automotive, food and beverage, entertainment, financial services and fashion.

BUSINESS

Merchants

Thousands of merchants of all sizes sell products in our e-commerce marketplace, including content creators that have gained a following on our platform, third-party sellers and brands. Our platform provides merchants with rich and dynamic ways to engage with consumers beyond the traditional storefront. Through our leading live streaming e-commerce marketplace, merchants can achieve considerable exposure to consumers either by streaming themselves or hiring popular streamers to promote their products.

We also partner with certain third-party providers which provide services to e-commerce merchants and streamers to assist them in areas such as opening shops on our e-commerce marketplace, supply chain management and customer relationship management.

Others

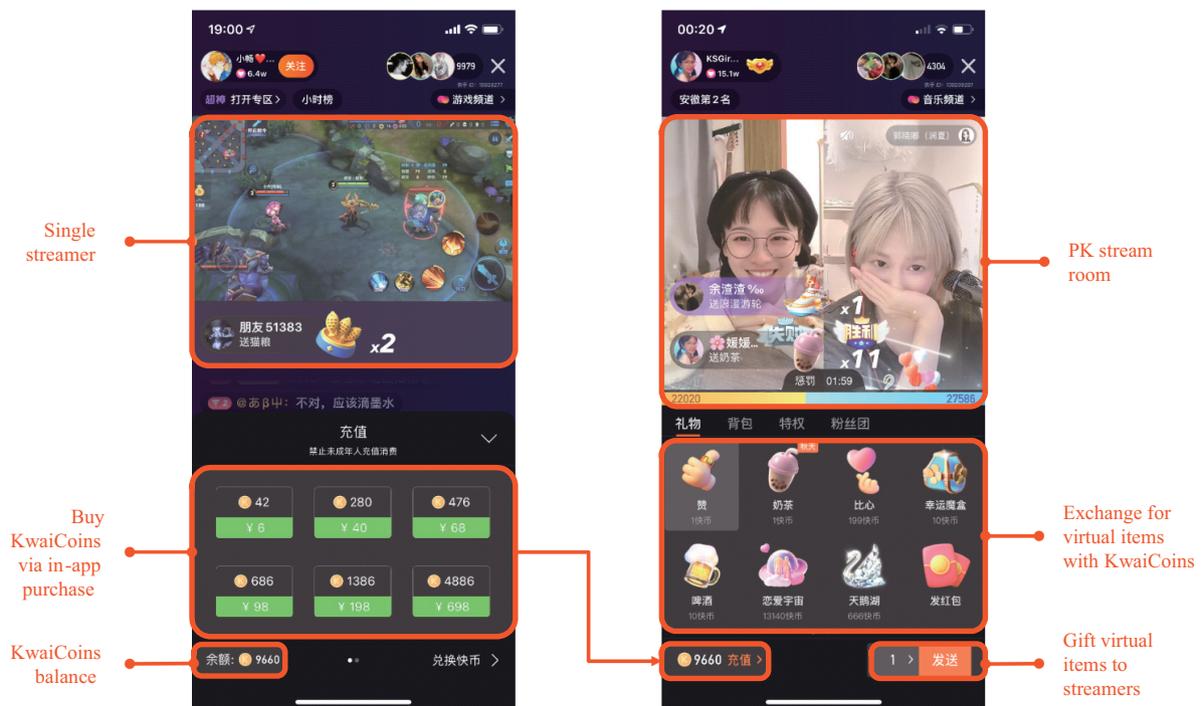
We also collaborate with various other business partners such as MCNs, game developers and knowledge-sharing content providers. MCNs work with content creators and offer them assistance in areas such as content programming, cross-promotion, partner management, digital rights management, monetization and sales. We partner with third-party game developers, such as Tencent, to jointly operate mobile games on our platform under revenue sharing arrangements. Many of our ordinary users, as well as professionals, produce knowledge-sharing content on our platform.

MONETIZATION

The growth of our platform is fueled by a virtuous cycle empowering our users to create, share and view inspirational content, and interact with other users with shared interests via a highly interactive and immersive experience that is underpinned by a sense of trust and belonging. The myriad user needs that arise naturally from our vibrant ecosystem present numerous monetization opportunities.

Live Streaming

Most of the revenues we generate from live streams are through virtual gifting by viewers to streamers. Many users on our platform that have gained a following seek to interact with their followers more dynamically through live streams. The purchase and gifting of virtual items provide a great way for viewers to participate, which stimulate the interactions between streamers and viewers and encourage viewers to engage in live streams, rather than viewing passively. Virtual items can be purchased by viewers and gifted to streamers during a live stream. Our abundant and diverse live streaming content as well as live streaming interactive features have been highly effective in increasing user engagement in live streams. According to iResearch, we were the world's largest live streaming platform by gross billings from virtual gifting and average live streaming MPUs in the nine months ended September 30, 2020. As a result of our commitment to promoting content diversity and allocating exposure to a broad base of content creators, our top 10 streamers by gross billings from virtual gifting accounted for less than 5% of our total gross billings from virtual gifting throughout the Track Record Period.



BUSINESS

Kuaishou App provides streamers with an effective way to share their talents with their followers, as well as the chance to gain exposure to a massive user base. We offer various tools, functions and features to support our streamers in effectively monetizing through their fanbase. With a massive and expanding user base and increasing diversity of interest communities, we provide abundant opportunities for streamers from all walks of life to develop a following and benefit from virtual gifting.

All of our streamers are bound by our community regulations and standard terms of service, which set forth various policies with respect to streamer conduct, content, privacy and the ownership of the intellectual property rights, as well as the revenue sharing arrangements between the streamers and us. When our streamers register on our platform, they agree to our community regulations and standard terms of service in app when they register their account.

While most streamers on our platform are not professional or full-time streamers, we also identify promising streamers that create desirable content and represent our values and sign additional customized contracts directly with them. We also cooperate with MCNs in varying sizes which recruit, manage, train, support and promote streamers and introduce such streamers to contract with us on our platform. We promote these streamers and help them grow a following and monetize through their content. Customized streamer contracts are negotiated on a case-by-case basis and generally contain revenue sharing arrangements and exclusivity clauses that require the contracted streamers to live stream exclusively on our platform during the contractual term. A small portion of these contracts also provide for additional payments to the streamers for achieving certain performance metrics such as number of hours streamed during a period.

Online Marketing Services

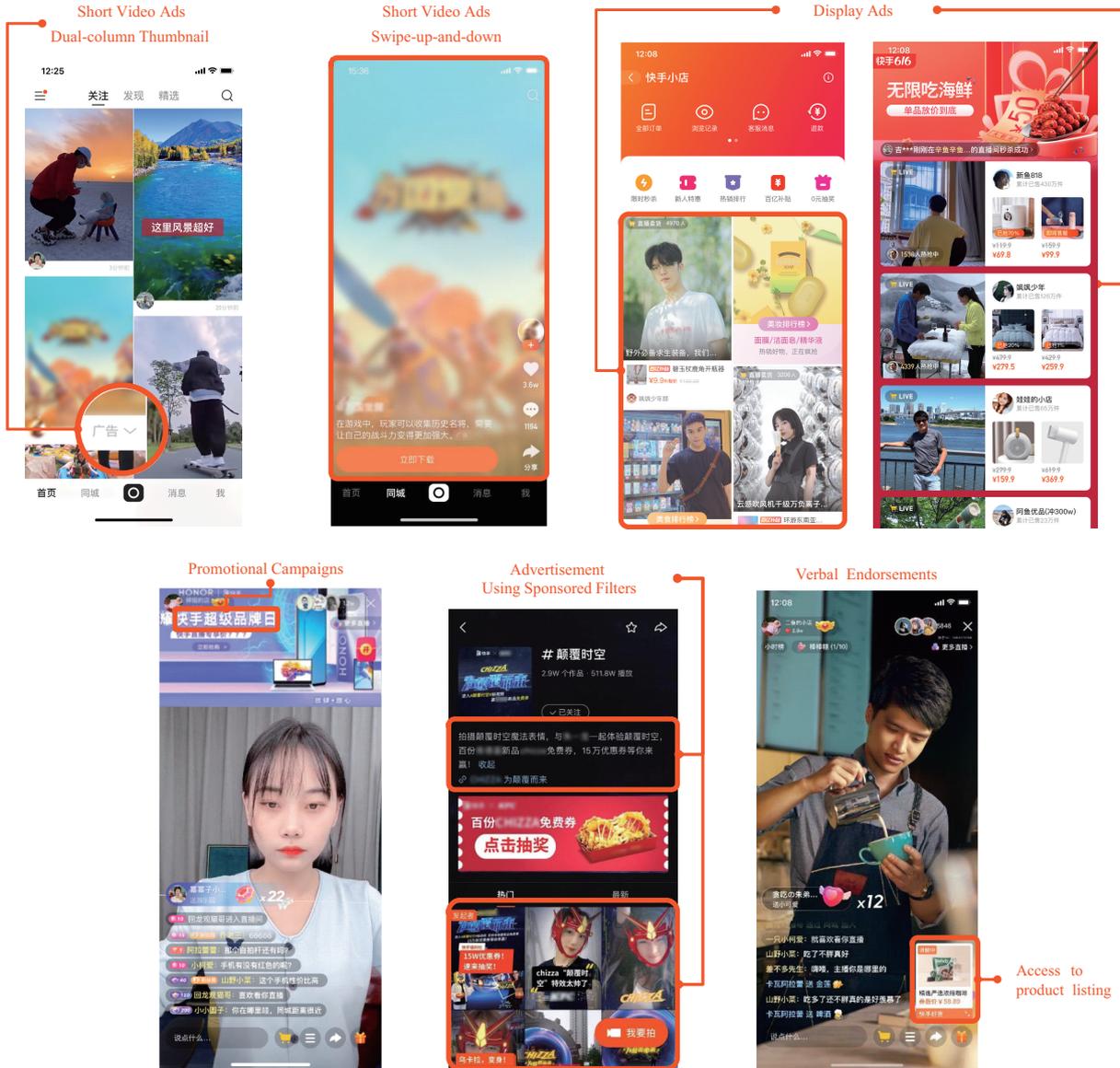
Our online marketing services cover a full suite of online marketing solutions for our ecosystem participants. Our online marketing services primarily consist of advertising services and what we refer to as our “Kuaishou fans headline services.” For our advertising services, we are able to leverage the vast amount and diversity of content on our platform as well as our AI capabilities to accurately direct an advertisement to the target group, allowing advertisers to more effectively reach their desired audience and increasing their return on investment. Our Kuaishou fans headline services allow content creators to pay for exposure to additional traffic for their short videos or live streams.

BUSINESS

Advertising services

Advertising opportunities arise naturally through our massive user base and diverse set of interest communities. Our advertisements are customizable at the user level and carefully designed and selected in terms of content and style so as to not be disruptive to our users. All of the content for advertisements on our platform are prepared by our advertising customers, which include advertising agencies and individual advertisers.

We offer customers a full suite of advertising services to effectively reach their target audience, including (i) short video advertisements; (ii) display advertisements; (iii) verbal endorsements; and (iv) promotional campaigns. Short video advertisements either appear as clickable thumbnails together with other recommended short videos on our dual-column feed, or are displayed between other videos at varying frequency in our swipe-up-and-down feed. Short video advertisements look and feel like regular content uploaded by content creators, but are identified as advertisements and may contain links to products or apps promoted by the advertiser. Due to the nature of the short video format, short video advertisements are often creative and entertaining to watch and contribute to a richer content pool. Display advertisements appear in the form of opening-page splash advertisements, traditional banner ads, logos and sponsored filters on various interfaces of our Kuaishou App, including in our online marketplace. Verbal endorsements are a performance-based advertising service that allows an advertiser to engage a content creator with whom we have contracted to promote and recommend products or services designated by the advertiser through a live stream or short video. We also engage in broader promotional campaigns with certain brands by leveraging multiple advertisements, which may include coordination with multiple streamers to display products or brands while streaming.



Working with our advertising partners

Whether they are third-party advertising agencies, brands and retailers or individuals, our advertising partners come to us for exposure to the broad and diverse set of highly engaged users on our platform. We work with our partners to deliver advertisements that are specific and contextual to users' preferences, making advertisements more effective. Using AI and big data analytics, we are able to understand our users and deliver relevant advertisements to them.

BUSINESS

We enter into advertising service agreements with advertisers directly or through advertising agencies. We also assist advertisers in collaboration with content creators to create quality content for our platform. The price of our advertising services depends upon various factors, including the duration and form of the advertisement, popularity of the content or event in which the advertisements will be placed, and specific targeting requirements.

Kuaishou fans headline services

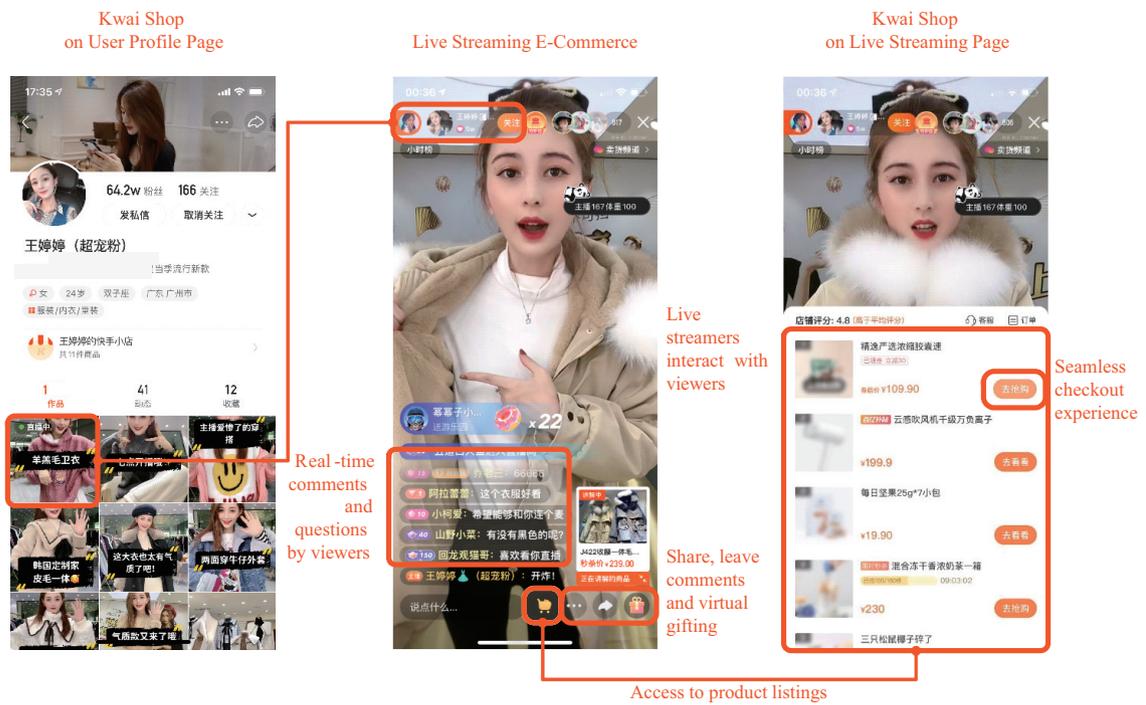
We provide Kuaishou fans headline services to address the marketing needs of content creators that naturally arise from our ecosystem. Our customers pay for increased exposure of their short videos or live streams to a targeted number of viewers for a specified period of time on Kuaishou App. With our Kuaishou fans headline services, content creators who wish to increase their number of followers or video views have an easy way of doing so. We provide simple and effective ways for any content creator to purchase our Kuaishou fans headline services on our platform.

E-Commerce

The trust and user interactions on our platform give rise to a natural opportunity for commerce on our platform between users and our business partners. To address this demand, we launched our e-commerce business in August 2018. Our e-commerce business experienced rapid growth, achieving GMV of RMB204.1 billion in the nine months ended September 30, 2020. Our users purchase products within our Kuaishou App or through third-party e-commerce platforms via links provided within a live stream, short video or user profile page. We receive a commission based on the price and type of products sold. Live streaming e-commerce content in particular, as a natural outgrowth of our live streaming content, has been a major driver of growth for our e-commerce business. Live streaming e-commerce content includes streams of merchants and promoters engaging with users to market various products in real time. Streamers and short video creators (including brands and retailers) use live streams, short videos or profile pages on our platform to market and promote products to viewers. In the nine months ended September 30, 2020, our average repeat purchase rate was over 65%.

Kwai Shop

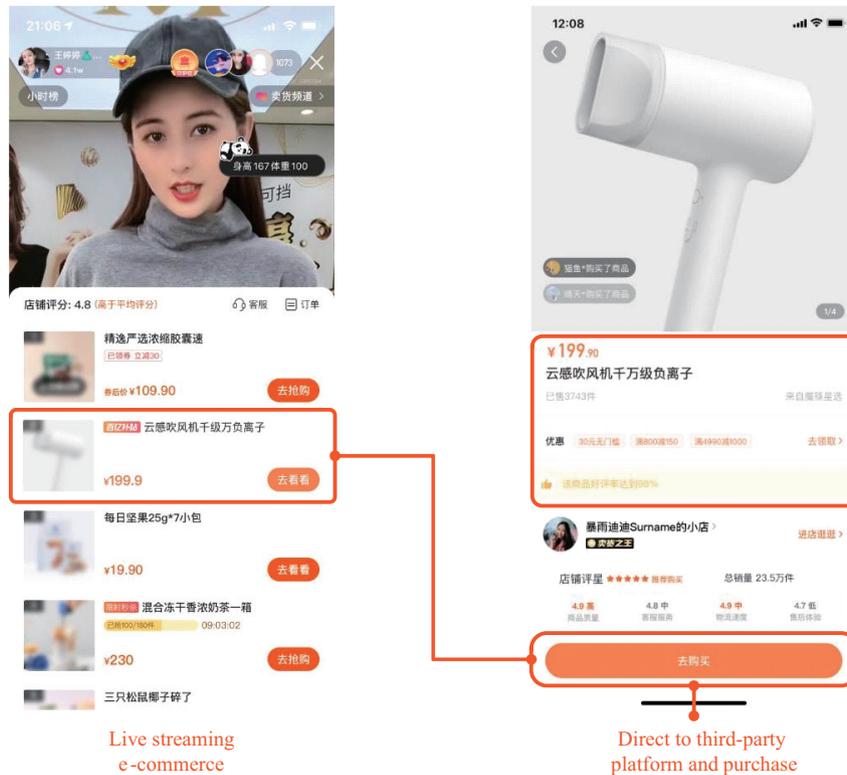
Users shop and purchase products and services directly in Kwai Shop as they would in a traditional e-commerce marketplace. We actively monitor the quality of products sold on Kwai Shop and perform random sampling to test the quality of products sold. Buyers are also able to leave reviews, which builds the reputation of sellers on our platform and discourages unethical behaviors. Users access Kwai Shop directly through Kuaishou App, our website or the links provided by our content creators in live streams, short videos or user profile pages. As our popular streamers and short video creators can effectively introduce the look and feel of the products to their fans through live streams or short videos, a large number of brands and retailers have established storefronts in Kwai Shop to take advantage of these signature features.



Third-party e-commerce platforms

We provide our merchants with diverse channels to sell their products and our users with a seamless online shopping experience. Our users can access the products and services on third-party e-commerce platforms through our platform by clicking the links provided by our streamers and short video creators in the live streams, short videos or user profile pages.

Sales Through Third-party E-Commerce Platforms

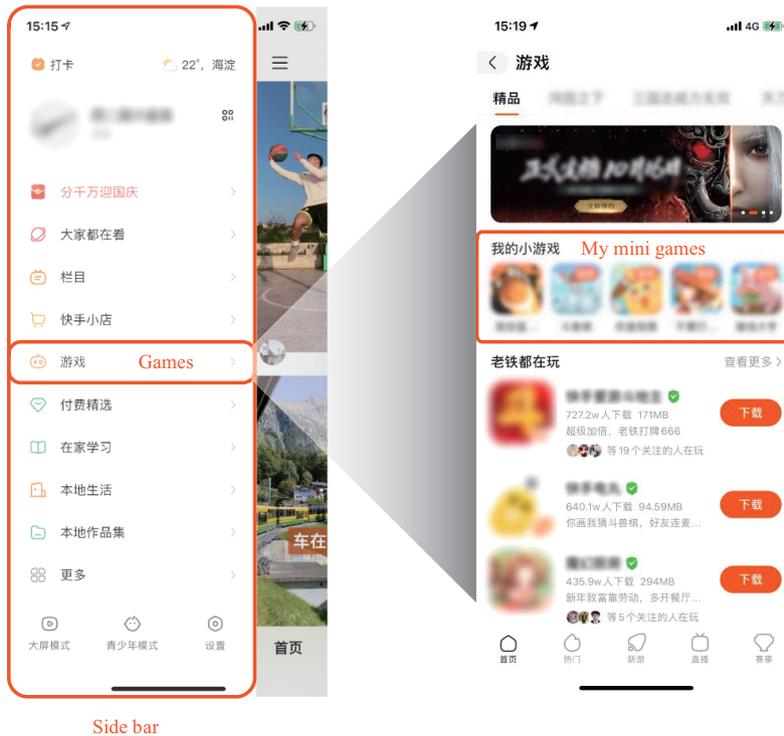


Collaborating with our merchants

We enable merchants to engage with users beyond the traditional storefront through live streams and short videos. Merchants use short videos primarily to raise awareness of their brands, business or products. They use live streams to interact with potential buyers in real time, explaining the value of the product and addressing their questions, thereby helping users to make purchase decisions. Social activity among users during live streams also facilitates transactions by creating a lively atmosphere and providing product validation. We also facilitate collaborations between merchants and content creators on short video and live streaming content and provide various tools on our platform to help merchants manage their online stores. Our merchants benefit from our broad network of users and social trust on our platform as well as our online marketing services and partnerships with third-party service providers.

Online Games

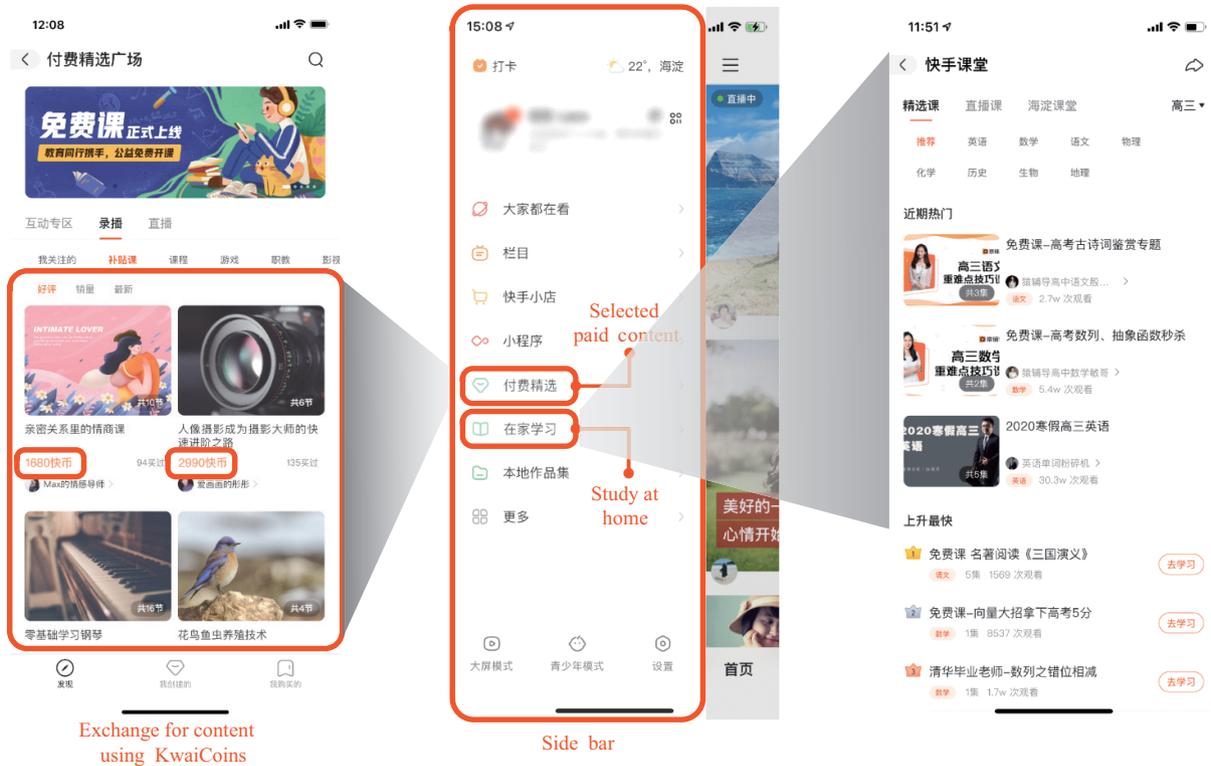
In January 2018, in order to capitalize on our large community of game enthusiasts that follow game content, we began curating and offering mobile games on our platform. We offer games developed in-house as well as games produced by third-parties. Users are able to access mobile games under the games tab in the Kuaishou App, which either directs users to mini games that can be played directly in the Kuaishou App or to download separate mobile game apps. We generate revenue from in-game purchases by users, which may include virtual currency or virtual items that enhance the in-game experience. Many of our games allow users to connect and play with other users on our platform in real time, providing another path for user interaction.



Most of the mobile games available on our platform are either under exclusive agency or jointly operated, which are produced by third-party game developers with whom we enter into revenue sharing arrangements. At the same time, we also self-develop certain mobile games. We provide third-party game developers with a broad distribution channel for their mobile games and share revenue from in-game purchases. Developers of our jointly-operated mobile games are responsible for hosting and maintenance of the game servers.

Knowledge-sharing Content

Knowledge-sharing content on our platform primarily comprises skill-based and other educational content shared by ordinary users, which we began offering in the summer of 2018, in response to the observed needs of our users and content creators. Knowledge-sharing content can be in the form of both pre-recorded and live formats. Content creators on our platform can charge for the content they produce if they wish to do so.



BUSINESS SUSTAINABILITY

We are a pioneer in the global short video industry. Since our inception, we have focused on empowering users to record and share their lives through videos. As an internet business in its early stage of operations, we are focused on building scale and exploring the most suitable business models, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for long-term development.

BUSINESS

Since we launched our short video platform in 2013, our users and their engagement have grown steadily. We began monetization by launching live streaming as a natural extension to our platform in 2016. As China's short video industry was at an early stage of development, we witnessed significant organic growth of our user base and achieved strong user engagement driven by our deep and diverse content base. In 2017, we generated adjusted net profit of RMB774.0 million, a non-IFRS measure, and positive operating cash flows of RMB2.1 billion. Since 2018, we have successfully developed a monetization model covering a matrix of products and services to address the myriad user needs naturally derived from our ecosystem. This has enabled us to pursue multiple monetization opportunities and expand our product and service offerings. For instance, our online marketing services revenue has grown rapidly from RMB1.7 billion in 2018 to RMB7.4 billion in 2019 and further from RMB4.3 billion in the nine months ended September 30, 2019 to RMB13.3 billion in the nine months ended September 30, 2020. We commenced our e-commerce operations in 2018 and achieved a total GMV of RMB204.1 billion in the nine months ended September 30, 2020.

Our multiple levers to monetization have paved the way for our profitability and generated sustainable operating cash flows to fund our business. In the meantime, we continued to invest in growing our content community, user base and user engagement to support the long-term development of our ecosystem. As our user base continued to expand and the industry continued to evolve, we incurred higher selling and marketing expenses in order to retain and acquire users as well as enhance our brand awareness, which have impacted our operating expenses. Driven by our diverse and vibrant ecosystem and our massive and highly engaged user community, we had adjusted net profit of RMB204.8 million and RMB1.0 billion, a non-IFRS measure, and positive net operating cash flows of RMB1.8 billion and RMB8.0 billion in 2018 and 2019, respectively.

As the short video and live streaming market continues to develop in China, huge market opportunities, especially those for a significant-scale content-based social platform, continue to emerge across a multitude of industries. As the average DAUs on Kuaishou App in 2019 represented only approximately 20% of China's mobile internet users in 2019 according to iResearch, we believed that our content community and social platform had huge opportunities for continued growth and user penetration. To capitalize on these opportunities, we made a strategic decision to invest in our overall ecosystem. For example, we invested in our selling and marketing efforts, among other things, to grow our user base and user engagement and enhance our brand recognition. We also invested in various other areas such as product development and research and development capabilities. As a result, our operating expenses increased in the nine months ended September 30, 2020.

BUSINESS

As a result of these efforts, our average DAUs on Kuaishou App increased from 175.6 million in 2019 to 262.4 million in the nine months ended September 30, 2020. The average DAUs on our Kuaishou Express, which was officially launched in August 2019, exceeded 100 million in August 2020, in just one year from its official launch. The average daily time spent per DAU on Kuaishou App increased from 74.6 minutes in 2019 to 86.3 minutes in the nine months ended September 30, 2020. We believe our enlarged user base, increased user engagement and enhanced brand image will help us further grow and diversify our revenues. Due primarily to our increased selling and marketing efforts, some of which have yielded immediate effects on revenues while others will provide long-term benefits to the overall development of our ecosystem over time, we recorded adjusted net loss of RMB7.2 billion, a non-IFRS measure, and net operating cash outflows of RMB768.4 million in the nine months ended September 30, 2020.

Going forward, we plan to achieve profitability primarily by further (i) growing our user base and user engagement, (ii) increasing our monetization, and (iii) increasing operating leverage. This will allow us to increase our revenue and manage our cost and expenses, in order to reach and maintain profitability and positive operating cash flows.

Growing Our User Base and Engagement

We believe that growing our user base and increasing user engagement are crucial to monetizing our business and thus increasing revenues and achieving profitability. To implement this strategy, we need to retain our existing users and attract new users, as well as enhance user engagement. As such, we aim to continue improving the quality, relevance and diversity of the content on our platform and to improve our technology, as well as to refine our products and services to deliver a superior user experience. See “Business — Our Strategies — Continue to exceed user expectations” and “Business — Continue to strengthen our technology.”

During the Track Record Period, our average DAUs increased from 66.7 million in 2017 to 117.1 million in 2018 and further to 175.6 million in 2019, and from 165.2 million in the nine months ended September 30, 2019 to 262.4 million in the nine months ended September 30, 2020. Our average daily time spent per DAU increased from 52.7 minutes in 2017 to 64.9 minutes in 2018, and further to 74.6 minutes in 2019, and from 74.0 minutes in the nine months ended September 30, 2019 to 86.3 minutes in the nine months ended September 30, 2020.

BUSINESS

The following table sets forth the key operating data on Kuaishou App to demonstrate the growth of our users and their engagement for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	Average DAUs (in millions)	66.7	117.1	175.6	165.2
Average MAUs (in millions)	136.3	240.7	330.4	311.7	482.9
Average daily time spent per DAU (in minutes)	52.7	64.9	74.6	74.0	86.3

As our user base and user engagement continue to grow, we expect to enjoy powerful network effects which will in turn generate more social interactions and transactions on our platform and attract more users, advertisers, merchants and other business partners to our platform. This will enable us to increase our revenues through various monetization channels.

Increasing Our Monetization

Driven by our massive, growing and highly-engaged user community, user needs naturally arise from our ecosystem, which in turn create multiple monetization opportunities. We plan to further expand our product and service offerings, which will increase and diversify our revenue streams, improve our gross profit margin and enhance our profitability. We also plan to increase the number of paying users and the spending of our paying users by raising their awareness of our multiple paid products and services. See “Business — Our Strategies — Further expand our ecosystem and monetization capabilities.” During the Track Record Period, we generated revenues from three business lines: live streaming, online marketing services and other services including e-commerce.

Live streaming

We commenced our live streaming business in 2016. Live streaming is currently the most established among our existing monetization channels. Our live streaming revenue increased in absolute amounts during the Track Record Period. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our live streaming revenue as a percentage of our total revenues was 95.3%, 91.7%, 80.4%, 84.1% and 62.2%, respectively. Live streaming users in China are expected to continue to grow at a fast pace due to the highly social, interactive and immersive nature of live streaming, although the rate of such growth is expected to moderate as the user base expands. See “Industry Overview — Emergence of Video-based Social Platforms — Live Streaming” for more details.

BUSINESS

However, even though we expect our live streaming revenue to increase in absolute amounts, we expect our live streaming revenue to continue to decrease as a percentage of our total revenues as our other business lines which are currently at earlier stages of development continue to grow quickly.

Our live streaming revenue is driven by our average MPUs and monthly ARPPU for live streaming. The following table sets forth our average MPUs and monthly ARPPU for our Kuaishou App with respect to live streaming for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
Average MPUs for live streaming (in millions)	12.6	28.3	48.9	48.5	59.9
Monthly ARPPU for live streaming (in RMB).	52.5	54.9	53.6	52.5	47.0
Live streaming revenue ⁽¹⁾ (in RMB millions).	7,949.0	18,615.1	31,442.3	22,922.1	25,309.3

Note:

(1) The discrepancies between (i) multiplying the average MPUs for live streaming with monthly ARPPU for live streaming and the number of months in the corresponding period and (ii) our live streaming revenue are primarily due to rounding.

Online marketing services

Our online marketing services business was launched in 2017 and is at an early stage of development. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, revenue attributable to online marketing services as a percentage of our revenues was 4.7%, 8.2%, 19.0%, 15.6% and 32.8%, respectively.

In China, the mobile advertising market has been growing rapidly in recent years and is expected to reach RMB1,706.1 billion in 2025, according to iResearch. Short video and live streaming are increasingly popular channels for mobile advertising, accounting for 15.0% of the mobile advertising market in 2019 and is expected to reach 27.3% in 2025. See “Industry Overview — Monetization Opportunities for Video-Based Social Platforms — Online marketing services.” We believe there is significant room to launch new advertisement formats, expand our advertising customer base, and enhance the effectiveness of our advertisements, thereby increasing our online marketing services revenue.

BUSINESS

Our online marketing services revenue is driven by our average DAUs and average online marketing services revenue per DAU. The following table sets forth our average DAUs and average online marketing services revenue per DAU on Kuaishou App for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	Average DAUs (in millions)	66.7	117.1	175.6	165.2
Average online marketing services revenue per DAU (in RMB).	5.9	14.2	42.3	25.8	50.9
Online marketing services revenue ⁽¹⁾ (in RMB millions). .	390.6	1,665.1	7,418.5	4,267.5	13,343.2

Note:

(1) The discrepancies between (i) multiplying the average DAUs with the average online marketing services revenue per DAU and (ii) our online marketing services revenue set forth herein are primarily due to rounding.

Other services including e-commerce

We generate revenue from other services, including our e-commerce business, online games and other value-added services. Our e-commerce business was launched in 2018 and is at an early stage of development but has experienced rapid growth since its launch. We generate revenue from e-commerce by charging commissions on the sales of goods completed through our platform. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, revenue attributable to other services, which primarily comprised revenue from e-commerce, as a percentage of our revenues was nil, 0.1%, 0.6%, 0.3% and 5.0%, respectively. Our average repeat purchase rate was 18.0%, 45.4%, 39.8% and 65.2% in 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively. Our average repeat repurchase rate of 18.0% in 2018 was for the four months ended December 31, 2018 only as we commenced our e-commerce business in August 2018.

Live streaming e-commerce on short video and live streaming-based social platforms is becoming more common and will occur in more diverse ways over time. In China, the GMV of live streaming e-commerce is expected to reach RMB6,417.2 billion in 2025. See “Industry Overview — Monetization Opportunities for Video-Based Social Platforms — E-commerce.” We plan to continue to invest in growing our GMV as well as attracting and retaining quality merchants to develop our e-commerce platform. When our buyers, merchants and GMV reach a certain scale, we may at our discretion and subject to business conditions increase monetization to increase our e-commerce revenue.

BUSINESS

The following table sets forth GMV achieved on our platform, and revenue attributable to other services for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	Total e-commerce GMV (in RMB millions)	—	96.6 ⁽¹⁾	59,641.1	16,833.3
Revenue attributable to other services (in RMB millions) . . .	—	20.4	259.5	78.3	2,024.9

Note:

(1) For the period from August to December 2018 only as we commenced our e-commerce business in August 2018.

Increasing Operating Leverage

As we continue to grow in scale, we aim to realize operating leverage on our platform primarily through the natural progression of our revenue mix, efficient selling and marketing spend, as well as network effects and economics of scale. See “Financial Information — Major Components of Our Results of Operations” for a description of the key components of our cost of revenues and operating expenses.

Natural progression of our revenue mix

During the Track Record Period, our live streaming revenue has decreased as a percentage of our total revenues primarily due to the expansion and growth of our other business lines such as online marketing services and e-commerce. Going forward, we expect this trend to continue for reasons as stated above. Direct costs associated with live streaming, particularly revenue sharing to streamers and related taxes, have decreased as a percentage of the total revenues, accounting for 52.7%, 51.2%, 46.4% and 35.2% of the total revenues in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively. Although our revenue sharing mechanisms with streamers are determined by taking into account various factors such as performance criteria and other commercial terms, we generally kept such revenue sharing to streamers to no more than 60% of gross billings during the Track Record Period. As other business lines continue to grow at a faster rate than our live streaming business, we expect our revenue mix to shift and our revenue sharing to streamers and related taxes to continue to decrease as a percentage of revenues.

BUSINESS

We expect our online marketing services revenue and e-commerce revenue to increase as a percentage of our total revenues in the foreseeable future for reasons as stated above. See “— Increasing Our Monetization — Online marketing services” and “— Increasing Our Monetization — Other services including e-commerce.” Our online marketing services and e-commerce businesses generally incur lower direct costs and expenses, which will contribute to higher gross profit margin, and enable us to benefit from economies of scale going forward.

See “Financial Information — Major Components of Our Results of Operations — Cost of Sales” for more details.

Efficient selling and marketing spend

Our selling and marketing expenses primarily comprise promotion and advertising expenses. Such expenses accounted for 16.4%, 21.0%, 25.2%, 20.5% and 48.8% of our total revenues in 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively.

Our promotion and advertising expenses mainly include user acquisition and maintenance costs and expenses associated with brand marketing campaigns. We incur user acquisition and maintenance costs to promote our products and services offerings and to acquire and retain users. We incur expenses associated with brand marketing campaigns to increase our brand recognition, which is expected to have long-term benefit to the overall development of our ecosystem. For example, we officially launched Kuaishou Express in August 2019 and incurred expenses for user acquisition and brand promotion for Kuaishou Express. We also incurred promotion and advertising expenses as we expand into adjacent businesses such as online marketing services and e-commerce, and overseas markets. Our marketing expenses for Kuaishou Express and our other products and services, as well as our brand marketing campaign expenses, including expenses relating to our nationwide marketing campaign, accounted for a significant portion of our promotion and advertising expenses in 2019 and the nine months ended September 30, 2020. As a result, we experienced a significant increase in our user base and user engagement, as well as enriched content and service offerings in our ecosystem. For example, the average DAUs on Kuaishou App increased from 175.6 million in 2019 to 262.4 million in the nine months ended September 30, 2020. In August 2020, in just one year after its official launch, the average DAUs on Kuaishou Express exceeded 100 million, and the average daily time spent per DAU on Kuaishou App increased by more than ten minutes from 74.6 minutes in 2019 to 86.3 minutes in the nine months ended September 30, 2020. We believe that our brand marketing campaigns have increased our brand recognition, which, together with our user acquisition and retention efforts, have helped to grow our user base and enhance user engagement, and will increase the attractiveness of our platform in the long run.

BUSINESS

We continuously evaluate and learn from past campaigns to increase the efficiency of our marketing spend in order to grow our users and ecosystem in a sustainable manner going forward. As we continue to acquire and retain users as well as enhance our brand image, we expect our selling and marketing expenses will continue to account for a meaningful portion of our expenses but will decrease as a percentage of our total revenues in the future as we continue to grow and diversify our revenues, improve operational efficiency and enjoy economies of scale.

See “Financial Information — Major Components of Our Results of Operations — Selling and Marketing Expenses” for more details.

Network effects and economies of scale

Other major cost components include bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, research and development expenses and administrative expenses. We expect these costs and expenses to continue to increase in absolute amounts along with the growth of our business but to decrease as a percentage of our revenues as we increase our monetization as well as benefit from network effects and economies of scale.

The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. For related risks, see “Risk Factors — Risks Related to Our Business — Our historical growth rates may not be indicative of our future growth. We may not be able to effectively manage our growth as a result of the increased complexity of our business, which may adversely affect our business and operating results.”

TECHNOLOGY

Innovative AI, Big Data Analytics and Audio & Video Technology

We use AI, big data analytics and audio & visual technologies extensively in various aspects of our operations.

Personalized content consumption

Personalized content recommendation

According to iResearch, we are the first mover and one of the few in China's short video industry to apply deep reinforcement learning algorithms to the recommendation of videos on a large-scale basis. Our hyperscale deep reinforcement learning-based recommendation engine delivers a superior and personalized experience to users and is particularly suited for short video and live streaming content. The engine is built on a proprietary graph neural network, namely Kuaishou Graph Neural Network (KGNN), which analyzes behavior of hundreds of millions of users to understand their preferences and recommends over 20 billion short videos and live streams to users in real time each day.

Dual-column thumbnail and swipe-up-and-down personalized recommendation interface

According to iResearch, our recommendation engine is one of the few at scale globally that has been designed to support both a dual-column thumbnail and a swipe-up-and-down personalized recommendation interface. In the short video and live streaming industry, the dual-column thumbnail format is a special feature of Kuaishou App attributable to our deep understanding of user behavior and preferences, as this format allows users to scroll through multiple recommended thumbnail images to quickly select content to view based on their preferences and the attractiveness of the thumbnails. In addition, the swipe-up-and-down format of Kuaishou App automatically displays the next video when the user swipes up on the screen, allowing users to seamlessly view more videos. By offering both a dual-column thumbnail format and a swipe-up-and-down format via personalized tabs that users can switch between based on their preferences, we can cater to a broader set of user preferences. By collecting valuable user feedback data under both formats and conducting joint deep learning from both sets of data, we have further improved our industry-leading AI and big data technology for video content analysis and recommendation.

High-quality content transmission

High-definition video

Kuaishou App is designed to run smoothly on all types of mobile phones and support high quality short video playback and low latency live streaming. We have also developed a set of proprietary algorithms to adjust lighting and color hue to improve the quality of videos shot in extreme conditions or by low-end mobile phones. According to iResearch, we are the first mover to offer apps with end-to-end support of filming, editing, uploading and playback of high-definition 1080p videos in China's short video industry, which caters to increasing demand from users for a highly immersive video watching experience. This advanced video technology also positions us well to embrace the upcoming age of 5G.

Contributions to the formation of video compression standard and proprietary video compression technology

According to iResearch, Kuaishou's Video Coding Lab in San Diego is one of the major contributors in terms of the number of proposals being accepted in a worldwide joint initiative, JVET (Joint Video Exploration Team of ITU-T VCEG and ISO/IEC MPEG), which aims to evaluate available compression technologies and study the requirements for a next-generation video compression standard, namely Versatile Video Coding (VVC) standard. Additionally, in terms of current application, we commenced development of a proprietary video codec, Kuaishou Video Coding (KVC), in 2018, which has been implemented on a large-scale basis in March 2020. According to iResearch, this proprietary video compression algorithm is more advanced compared to existing coding standards adopted by other short video platforms in terms of saving network bandwidth while preserving video quality. KVC can significantly reduce the size of the media files given the same subjective quality and improve the smoothness of video playback.

Advanced live streaming capability

In response to the diverse needs of live streaming scenarios and network conditions, we developed a proprietary transmission protocol, Kuaishou Transmission Protocol (KTP), and an adaptive bitrate streaming standard for our live streams, Live Adaptive Streaming (LAS), using advanced technologies such as multiple stream control algorithms, congestion control algorithms, adaptive fault-tolerant algorithms and multi-bitrate adaptive algorithms, while also accounting for multiple variables such as encoding standards, network speeds and business requirements. We also utilize joint source channel coding technology to adapt the quality of streaming sources with the fluctuation of network conditions encountered in the real world, significantly improving the upload speed and transmission stability of live streaming signals on weak networks. As a result, we can provide a live streaming experience that is smoother with higher resolution and lower latency. Our

technological innovations in live streaming have resulted in outstanding performance on our live streaming platform, as verified by large-scale A/B testing performed on multiple variants of our apps, and increased average time spent per day by our users.

AI-powered content creation tools

Our machine learning, computer vision and computer graphics capabilities have enabled us to offer a wide array of content creation tools such as beautifying functions, smart filters, human computer interactions and Special Effects. For example, our users can swap their expressions and actions with cartoon characters, combine landmark buildings with dynamic cartoon images and see what they would look like at a different age using a smart filter, and share these effects with others through short videos and live streams. These carefully designed innovative features have fostered a highly interactive and enjoyable experience and motivated users to create more vibrant and inspirational content that attracts more users, which in turn fueled further growth in creative content on our platform.

Hyperscale big data computational engine

Due to the nature of the products and services we offer, we require large amounts of storage and computing resources to process a high throughput of data being generated every day on our platform, including to process (i) multimedia data such as videos to enhance our video streaming quality and improve our analysis and understanding of video content and (ii) mass user behavioral data on our platform for analysis, to run computationally complex processes and algorithms for recommendations, searches and other functions, and to build a highly efficient data warehouse in support of smart and insightful data analysis to drive fast iterations of our products. Our technologies are built on a hyperscale big data computational engine that can process exabyte scale data including a library of 29 billion short videos.

Multimedia understanding technology

Driven by years of experience in MMU, we can conduct real-time analysis on over 15 million videos and over one million hours of live streams every day. In particular, we have developed a system of AI-powered content analysis algorithms that performs real-time multi-dimensional analysis and screening of massive data on our platform such as text, pictures, audio and video. Moreover, the system has the ability to filter inappropriate and illegal content as well as content that may infringe on intellectual property rights of third parties in real time. We have pioneered various technologies in the industry. According to iResearch, we are the first mover in the short video industry in China that successfully applies all neural end-to-end automatic speech recognition system on a large scale. In addition, we have developed a proprietary CPU/GPU-based heterogeneous computing system to optimize the abovementioned algorithms, which further enhances the operating efficiency of such algorithms.

Scalable Network Infrastructure

We designed our data and network infrastructure for scalability and reliability to support the rapid growth in our user base and to handle multi-party audio-and video-enabled real-time online interactions. As of the Latest Practicable Date, we have more than 270,000 servers hosted in 21 internet data centers across China, which contribute significantly to our fast streaming speed and reliable services. Due to the use of cloud computing technology, the amount of bandwidth we lease is flexibly expandable to handle a surge in the number of concurrent users in Kuaishou App at peak times.

Research and Development

Our ability to develop features, functions and services tailored to the needs of our user base has been a key factor for our success. We have been able to rapidly scale up our product development output and deliver an increasingly broad range of products and services while enhancing the functions and features we offer to satisfy constantly evolving user needs and improve user experience. Another key factor behind our success is the ability of our research and development team to rapidly roll out and test updates to Kuaishou App in order to continually improve user experience and engagement. During the Track Record Period, in addition to regular and frequent improvements to our platform, our research and development team undertook multiple major development projects and successfully developed, among others, (i) a personalized content recommendation system which allows us to constantly satisfy the evolving needs of users and online marketing business partners; (ii) numerous deep learning and reinforcement learning algorithms; (iii) a dynamically scalable hybrid cloud computing platform; (iv) engaging functions and features such as Special Effects as a tool for content creation; (v) an AI-based media processing and live streaming source station; and (vi) advanced content analysis system which enables us to review the compliance of the content on our platform with applicable laws and regulations in a cost-efficient manner.

In 2016, we launched our in-house Y-Tech AI-focused research center with the goal of contributing to research and development in cutting-edge fields such as computer vision and deep learning as well as refining the technology-driven features and functions on Kuaishou App such as AR, filters and other Special Effects. Y-Tech research center is headquartered in Beijing and has branch offices in Hangzhou and Palo Alto. Y-Tech research center has spawned various successful applications, including a facial swapping effect which enables transforming portraits into 3D augmented virtual characters.

BUSINESS

We plan to invest in Ulanqab Data Center, a hyperscale internet data center designed by our research and development team in Ulanqab of Inner Mongolia in order to meet the increasing demand for big data platforms and AI technologies driven by our massive and ever-growing user base.

We have a dedicated team of highly-skilled engineers, computer scientists and technicians whose expertise span a wide range of areas. As of September 30, 2020, we had over 6,500 research and development employees. A significant number of our research and development personnel have prior working experience with renowned technology companies. As of September 30, 2020, over 3,000 of our research and development personnel held at least a master's degree. We have made significant investments into our research and development efforts and technology infrastructures. We spent RMB476.6 million, RMB1.8 billion, RMB2.9 billion and RMB4.1 billion on research and development in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively, representing approximately 23.1%, 26.8%, 21.5% and 16.5% of our operating expenses, respectively, during the same periods.

QUALITY CONTROL AND CONTENT ANALYSIS

We are committed to complying with relevant laws and regulations, protecting third-party intellectual property rights and maintaining a healthy content community on our platform. All participants on our platform are required to abide by our terms of service and community regulations, which strictly prohibit inappropriate content across our platform. Our community regulations set forth in detail prohibited content and actions including, but not limited to, provocative or inflammatory language, full or partial nudity, sexually suggestive language and body movements, abusive language or actions towards other users, spam, scams, acts and threats of violence, and information facilitating or promoting illegal transactions or activities. We have invested in and employ a multilayered content analysis system built on MMU technology and physical staff to analyze and categorize the content generated by our users. We employ our content analysis system to identify and remove any illegal content in accordance with applicable laws and regulations, as well as any content that violates the intellectual property rights of other parties. We also employ a tagging system that identifies the subject or nature of the various content on our platform and separate content by age-appropriateness, which enables us to provide a youth mode for our young users. Additionally, users have the ability to report any violations of our terms of service or other inappropriate behavior via the “report” button in our Kuaishou App. We analyze multiple factors in order to determine the reliability of and prioritize various reports of inappropriate content, including the history of the reporting user, effective reporting rate and the harmfulness of the content reported.

BUSINESS

We have a dedicated content analysis team who are in charge of promptly and accurately detecting violations of our terms of service and community regulations and enforcing our internal policies to ensure the compliance of the content appearing on our platform with applicable laws and regulations. They cooperate with our technical support team and monitor the content generated by our users and leverage our AI-powered content analysis system in order to implement our relevant policies. These employees are trained to identify potential violations of our terms of service and community regulations and to determine the necessary actions to be taken in response. Their responsibilities include further reviewing potential violations and taking additional screenshots of or recording streaming sessions if necessary, categorizing the screenshots or recordings, and taking actions in accordance with our terms of service and community regulations. Additionally, we also arrange for our content analysis staff to perform checks on streaming rooms on our platform continuously, thus adding an additional layer of manual monitoring.

We employ a user credit evaluation system which records the number and severity of each user's violations on our platform, and deducts corresponding points from user accounts when a violation has been found. Users that fall below a certain threshold may have certain or all functions on our platform restricted. Upon identification of any violations, including illegality, violation of intellectual property or violations of our terms of service and community regulations, our content analysis team may take various actions depending on the nature of the violation. For more serious violations, we will take down the content or stop the live stream, as applicable, and suspend the user from activities on our platform for a period of time depending on the nature of the violation. Continued violations result in permanent bans and deletion of the account in question. For zero-tolerance violations and malicious actions, we will take down the content or stop the live stream, as applicable, delete the user account in question and ban the user from creating new accounts by listing their information in our blacklisting database.

POLICES AND MEASURES ON COPYRIGHT PROTECTION

Our platform primarily comprises user generated content. According to a “safe harbour” provided by relevant PRC laws, we are required to take down the relevant content uploaded by a user within a reasonable period of time after receiving a complaint regarding copyright infringement accompanied with the evidence required under relevant PRC laws. We employ effective internal control procedures to ensure that we comply with the relevant PRC laws with respect to copyright protection, including, but not limited to, the following:

- (i) we enforce a copyright protection and takedown policy consistent with the relevant legal requirements and standard industry practice. Our policy requires us to take down content on the basis of alleged copyright infringement when we receive a request to do so provided that such request satisfies the relevant legal requirements; and
- (ii) we have set up a reporting and rights protection function in Kuaishou App through which users can report content uploaded on our platform in violation of copyrights. We have dedicated personnel to review and process any such reports and remove violating content when necessary. Once repeated violations on the part of a user have been determined, we may suspend or terminate such user’s account.

To reduce the risks of copyright infringement by users on our platform and encourage and facilitate content creation by our users, we have entered into licensing arrangements with many major copyright owners or holders and maintain a music library for Kuaishou App. We maintain and enforce the following procedures to ensure that we have the right to use the music in our Kuaishou App music library:

- (i) we maintain a dedicated team responsible for obtaining the necessary copyrights from copyright owners or holders; and
- (ii) we have implemented procedures to reduce the likelihood that any music might be used without proper license or third-party consents. In particular, before importing any music into our Kuaishou App music library, we will enter into licensing agreements with the relevant copyright owners or holders and review the relevant copyright ownership or licensing documents. We also maintain a system that tags licensed music with copyright ownership or licensing information through which we could identify and track licensed music in our Kuaishou App music library.

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POLICIES AND MEASURES FOR LIVE STREAMING E-COMMERCE

Internal control procedures on false or misleading promotional activities

We have internal control procedures in place to fulfill our legal obligations under the relevant PRC laws and regulations in relation to false or misleading promotional activities conducted on our platform, including, without limitation, the following:

- (i) our policy requires real-name registration for all streamers;
- (ii) our terms of use with streamers require streamers to ensure the information relating to the products they promote in the live streams are true, not misleading and in compliance with PRC laws and regulations as well as the rules of our Company, and to timely remove any false or misleading information;
- (iii) as soon as we discover any fraudulent or untruthful content or false or misleading promotions by any user on our platform, we shall timely remove such false or misleading information and, depending on the number and severity of the misconducts, we may take other disciplinary actions such as issuing warnings, reducing the user's credit score, suspending the selling function in the user's account, suspending the user from hosting live streams, suspending or closing down the user's account, and/or imposing a monetary fine on the user;
- (iv) we employ a blacklist management system to prohibit streamers who are on the blacklist from registering another account on our platform;
- (v) we maintain an effective customer complaint system and shall process the complaints received in a timely manner; and
- (vi) we implement procedures to monitor and combat false or misleading promotions by streamers in live streams and counterfeiting activities of merchants in Kwai Shop, including, among other things, providing online and offline training to streamers and merchants, reviewing content offered in e-commerce live streams, collecting user feedback with respect to potential false or misleading promotional activities, issuing warnings to streamers who provided inappropriate content that may potentially violate our platform rules and penalizing streamers and merchants who have been found to conduct false or misleading promotions and/or sales of counterfeit products.

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Internal control procedures on potential sales of counterfeit goods on our platform

We have internal control procedures in place to fulfill our legal obligations under the relevant PRC laws and regulations in relation to potential sales of counterfeit goods on our platform, including, without limitation, the following:

- (i) we require real-name registration for merchants when they open accounts in Kwai Shop, and review merchants' licenses and certifications;
- (ii) our terms of use with merchants require merchants to ensure quality control and consumer protection with respect to the commodities sold on our platform;
- (iii) we conduct sample testing on the quality of products sold in Kwai Shop;
- (iv) we employ a merchant credit management system which records the number and severity of each merchant's violations of platform rules for merchants, and deduct corresponding points from merchant accounts when a violation has been found. For more serious violations, we may suspend merchant accounts for a period of time depending on the nature of the violation. Continued violations may result in permanent ban of the account in question; and
- (v) we penalize merchants which are found to be engaged in counterfeiting activities, through a number of means, including but not limited to reducing their credit scores, suspending the selling function of their accounts, and/or suspending or closing down their accounts in Kwai Shop.

Internal control procedures on potential sales of counterfeit goods through third-party e-commerce platforms

We have internal control procedures in place to fulfill our legal obligations under the relevant PRC laws and regulations in relation to potential sales of counterfeit goods through third-party e-commerce platforms, including, without limitation, the following:

- (i) with respect to the products sold on third-party platforms, when we receive complaints and evidence from purchasers on potential counterfeit goods, (a) if we are able to determine that the allegations are true, we will report to the relevant third-party platforms with whom we have established a reporting system and remove links to such goods from our platform; and (b) if we are not able to determine whether the allegations are true, we will report such suspicious products to the relevant third-party platforms

BUSINESS

with whom we have established a reporting system, and if the third-party platforms determine that such products are counterfeit goods, we will remove links to such products from our platform;

- (ii) with respect to the goods that are sold on third-party platforms and are determined to be counterfeit following the procedures mentioned in (i) above, we may, depending on the number and severity of misconducts, issue warnings to streamers who are held liable for promoting such products, reduce their credit scores, suspend the selling function in their accounts, suspend them from hosting live streams, close down their accounts, and/or impose monetary fines on these streamers; and
- (iii) if we become aware of any suspicious products promoted by streamers on our platform but sold on third-party e-commerce platforms, we may conduct sample testing on such products under certain circumstances.

Our PRC Legal Advisor is of the view that our internal control procedures in relation to live streaming e-commerce business have covered the requirements under the relevant PRC laws and regulations on e-commerce and live streaming operations in all material aspects.

DATA SECURITY AND PRIVACY

We have implemented a data security management protocol that sets out policies for data-related operations within the Company, including the collection, transmission, storage, sharing, destruction, backup and recovery of data. Our data security policies include mechanisms for user privacy protection, data classification, monitoring, emergency response and management of third-parties. Our information security committee, headed by our chief technology officer, is a cross-disciplinary group comprised of personnel from multiple departments responsible for devising information security strategies and decision-making regarding major information security issues. We have also set up a data security team which works closely with our legal department to jointly establish and enforce procedures regarding the management of data security. Our dedicated privacy protection team is formed by the security group of our systems operations department and other departments including legal, government relations, and public relations departments, and analyzes industry trends, designs privacy protection protocols, conducts privacy trainings, assists in the formulation of feasible compliance work assessments and provides relevant risk control suggestions.

We also engage outside law firms within and outside of the PRC to advise on our data protection policies and ongoing compliance with applicable laws and regulations and regularly update our internal and external-facing policies and procedures. As part of our internal procedure, we engage overseas local counsels to advise on the applicable licensing and compliance requirements before entering into a new market.

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We have developed our internal policies and procedures with the goal of meeting industry standards and good practice. A few examples of our measures include (i) implementing a privacy impact assessment (“PIA”) framework to ensure future changes or releases are subject to a comprehensive PIA review, (ii) instituting a governance framework to ensure senior management are empowered to address any privacy issues, (iii) subjecting internal group data transfers to procedures providing for lawful transfer of data and to protect the security of personal information, (iv) updating our policies and procedures with respect to data breach and incident response, and (v) implementing an internal control framework to ensure that any individuals who exercise their data privacy rights are subject to a standardized and coherent procedure for the resolution of their requests.

During the Track Record Period, we did not experience any material information leakage or loss of user data in the PRC or any overseas market.

INTELLECTUAL PROPERTY

We seek to protect our intellectual property rights through a combination of patents, trademarks, copyrights, trade secrets and confidentiality agreements. As of the Latest Practicable Date, we had registered (i) 1,178 patents, 1,045 software and other copyrights, 3,512 trademarks and 928 key domain names in China; and (ii) 488 trademarks overseas. In addition, we had submitted applications for 3,162 patents, and 1,735 trademarks in China and 437 trademarks overseas as of the Latest Practicable Date. In addition to obtaining authorization from the relevant right holder prior to using any third-party intellectual property on our platform, we have also set up a reporting and rights protection function in our Kuaishou App which allows users to report content uploaded on our platform in violation of intellectual property rights. We have dedicated personnel to process any such reports and remove violating content when necessary. We enforce a copyright protection and takedown policy consistent with standard industry practice in the jurisdictions in which we operate. Once repeated violations on the part of a user have been determined, we may suspend or terminate such user’s account. During the Track Record Period and up to the Latest Practicable Date, no material claims or disputes were brought against us in relation to any infringement of trademarks, copyrights or other intellectual property. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors — Risks Related to Our Business — Unauthorized use of our intellectual property, unfair competition, defamation or other violations of our rights by our users, employees and/or third parties may harm our brand and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business.”

BUSINESS

CUSTOMERS AND SUPPLIERS

We have a broad base of customers including advertisers, merchants and individuals. Our top five customers, which primarily comprise advertising agencies, accounted for less than 10% of our total revenues for each of the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020. Our top suppliers primarily include marketing service providers, cloud service providers and payment service providers. Our top five suppliers accounted for less than 15% of our purchases for each of the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020.

SALES AND MARKETING

Besides word-of-mouth, we implement various marketing and promotional measures to promote our platform as well as its participants in order to increase our active user base as well as user retention.

We acquire users primarily through advertisements on various app stores and mobile phone pre-installations. For pre-installations, we partner with major mobile phone brands to have Kuaishou App pre-installed on their mobile phones.

We also enhance user acquisition and retention by incentivizing users on our platform through a reward system which we selectively employ to reward users in the form of cash, KwaiCoins or other incentives for performing various tasks. One method for users to earn rewards is to refer Kuaishou App to a new user that registers an account. Users may also earn rewards by using various functions of Kuaishou App, such as logging in or viewing videos for a certain amount of time, which is helpful in motivating new users in familiarizing themselves with and regularly interacting with our platform. We also host special reward events on Kuaishou App around certain national holidays in China.

We also hold various marketing campaigns through various online and offline advertisements, including outdoor advertising, as well as collaborations with certain brands throughout the year.

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COMPETITION

As a content-based social platform that caters to a diverse range of user needs, we generally compete with other social platforms for user attention. We also compete with various companies across each of our major monetization channels — live streaming, online marketing services, e-commerce and others. We believe our ability to compete effectively depends on our ability to capture the finite resource of user attention, which in turn depends on several factors, including content, technology, product, scale, network effects and partners. For more details on the landscape of video-based social platforms in China, see “Industry Overview — Landscape of Video-Based Social Platforms.”

In China, there are several social platforms that are built on short video or live streaming content. Some are focused on specific content genres such as online games or entertainment while others cater to diversified social and entertainment use cases. While there is some degree of user overlap among them, platforms differentiate themselves by providing differentiated user experiences and engagement. We believe platforms with more diverse content and more vibrant content creation ecosystems are better equipped to address the evolving needs of users with different backgrounds and interests. In order to compete effectively in our industry, we plan to continue improving the quality, relevance and diversity of the content on our platform. We also plan to expand our product and service offerings and strengthen our technological capabilities.

In order to capitalize on the development of the short video and live streaming market in China and remain competitive in the industry, we also strategically invest in our overall ecosystem comprising of our massive user community, for example, by enhancing our product development and research and development capabilities and investing in selling and marketing efforts. We believe these efforts have enlarged our user base, increased user engagement and enabled us to capture an increasing share of the finite resource of user attention, which has ultimately enhanced our market competitiveness.

CUSTOMER SERVICE

We strive to provide best-in-class customer service on our platform. We have a dedicated team of over 2,200 customer service personnel as of September 30, 2020. Our customer service personnel provide support via telephone or online communication channels such as instant messages on our platform. Our customer service team assists our users with issues they encounter on our platform, gathers feedback on how to improve our services and responds to customer complaints and suggestions. To ensure consistent and high quality service, we provide comprehensive training programs to our customer service team.

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EMPLOYEES

We had 19,941 full-time employees as of September 30, 2020. We also used some third-party labor outsourcing and labor dispatch services, though most of our employees were directly employed by us. Substantially all of our employees are based in China, primarily at our headquarters in Beijing as well as in Chengdu, Wuhan, Wuxi, Tianjin and other cities. The following table sets forth a breakdown of our employees by function as of September 30, 2020:

Function	Number of full-time employees	Percentage (%)
Research and development	6,551	32.9
Customer service and operations	10,552	52.9
Sales and marketing	1,754	8.8
General and administrative	1,084	5.4
Total	19,941	100

Our success depends on our ability to attract, retain and motivate qualified personnel. We adopt high standards in recruitment with strict procedures to ensure the quality of new hires. We use various methods for our recruitment, including campus recruitment, online recruitment, internal recommendation and recruitment through headhunter firms or agents, to satisfy our demand for different types of talents, and pay competitive market salaries. We provide robust training programs for our employees, which we believe are effective in equipping them with the necessary skillset and work ethic.

As required by PRC laws, we participate in mandatory employee social security schemes that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds. We and our employees are required to bear the costs of the social security schemes in proportion to a specified percentage. We are required under PRC law to make contributions to employee social security plans directly at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

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We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and non-competition with all of our executive officers and all of our employees. These contracts typically include a non-competition provision effective during and up to one year after their employment as well as a confidentiality provisions effective during and after their employment.

Some of our employees in Wuxi have formed unions. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

SOCIAL RESPONSIBILITY

We are highly committed to social responsibility through community involvement both through charitable endeavors and industry development. We have partnered with a number of non-governmental organizations (NGOs) and government organizations to implement various social responsibility initiatives. In January 2020, we made RMB100.0 million of charitable donations in response to the COVID-19 outbreak.

Kuaishou App in itself is also a natural tool for the alleviation of poverty. Below is one of many examples of local communities benefiting economically from the Kuaishou platform.

Bringing e-commerce to local villagers

This story revolves around a husband and wife duo with a romantic love story and an aspiration to lead the villagers of their hometown located in Sichuan province out of poverty. They have accumulated millions of views on Kuaishou App showing off the local products and beautiful scenery of their hometown.

The duo formed a professional farmers collective in their local community to unify and standardize the collection and production of cordyceps in order to efficiently scale up local business and provide local villagers with better livelihoods. The couple shares profits with the local villagers. By sharing more profits with their townsfolk and helping them resolve the difficulties with selling local products, the couple has taken real and concrete action to help families in their neighboring communities increase their incomes. They have since established their own brand and prepare to further expand their business. At the same time, they are also preparing to build the first ever homestay in Chitu Township (赤土鄉) in hopes that tourism will further drive economic growth of their hometowns.

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HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We do not operate any production facilities. We are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary, adjust our human resources policies to accommodate material changes to relevant labor and work safety laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations, and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

INSURANCE

We believe we maintain insurance policies covering risks in line with industry standards. We do not maintain property insurance or business interruption insurance. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material and adverse effect on our results of operations. See “Risk Factors — Risks Related to Our Business — We do not currently have business interruption insurance and our limited insurance coverage could expose us to significant costs and business disruption. Any uninsured occurrence of business disruption, material litigation or natural disaster could expose us to significant costs, which could have an adverse effect on our results of operations.”

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PROPERTIES

As of the Latest Practicable Date, we did not own any properties, and operated our businesses through 69 leased properties in China with a total gross floor area of approximately 251,535 square meters. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our headquarters and offices. Our headquarters are based in Beijing, and we have offices in 26 cities in China, the United States, India, Singapore, Indonesia and Brazil. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of September 30, 2020, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to, and were not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, would likely have a material and adverse effect on our business, financial conditions or results of operation. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

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LICENSES AND REGULATORY APPROVALS

Licenses, Permits and Approvals

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant regulatory authorities that are material to our operations in China, other than as disclosed in this section below.

The following table sets out a list of material licenses and permits currently held by us:

<u>License/Permit</u>	<u>Entity Holding the License/Permit</u>	<u>Expiration Date</u>
ICB License	Beijing Chenzhong	December 10, 2021
ICP License	Beijing Chenzhong	April 23, 2024
Radio and Television Production Operation License	Beijing Danmu	March 31, 2021
ICP License	Chengdu Kuaigou	January 21, 2025
EDI License	Chengdu Kuaigou	January 21, 2025
ICB License	Chengdu Kuaigou	December 8, 2022
Food Operating License	Chengdu Kuaigou	April 28, 2025
Online Food Provider Platform Filing Certificate	Chengdu Kuaigou	N/A
ICB License	Huayi Huilong	April 4, 2023
Radio and Television Production Operation License	Huayi Huilong	March 31, 2021
Audio-Visual Permit	Huayi Huilong	February 13, 2021
ICP License	Beijing Kuaishou	August 16, 2022
ICB License	Beijing Kuaishou	November 2, 2022
Radio and Television Production Operation License	Beijing Kuaishou	March 31, 2021

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License/Permit	Entity Holding the License/Permit	Expiration Date
ICP License	Beijing Muyuan	May 13, 2024
ICB License	Beijing Muyuan	July 22, 2021
ICP License	Yooeee Xingji	July 25, 2023
ICB License	Yooeee Xingji	February 6, 2023
Audio-Visual Permit	Yooeee Xingji	December 15, 2022
ICP License	Hangzhou Youqu	April 8, 2025
ICB License	Hangzhou Youqu	May 9, 2021
Radio and Television Production Operation License	Hangzhou Youqu	March 31, 2021
Audio-Visual Permit	Hangzhou Youqu	April 11, 2021

Notes:

Pursuant to the ICB Notice and the Abolition Decision, (1) the MCT is no longer responsible for regulating the online games industry in the PRC and has ceased granting or renewing any games-related ICB Licenses; and (2) a currently valid games-related ICB License will remain valid until the term of the license expires. As of the Latest Practicable Date, no laws, regulations or official guidelines have been promulgated regarding whether another governmental authority will replace the MCT to regulate online games. Please see “Regulatory Overview — Regulations Relating to Online Games” for details.

Therefore, as advised by the PRC Legal Advisor, a ICB License is no longer required for the operation of online games in accordance with the current PRC effective laws and regulations, thus Beijing Muyuan that operates online games businesses can continue to do so after the expiration of its games-related ICB License, and it will not be subject to penalties or a request to cease its online games operation after the expiration of its games-related ICB License solely because such license has expired and has not been renewed.

In respect of our other subsidiaries that currently hold ICB Licenses set forth in this table, Huayi Huilong, Beijing Kuaishou, Yooeee Xingji and Hangzhou Youqu operate online short video and live streaming platform, Beijing Chenzhong provides online advertising facilitation business, and Chengdu Kuaigou engages in live streaming e-commerce business. Based on the advice from our PRC Legal Advisor, we do not foresee any legal impediment to renew such ICB Licenses if such subsidiaries comply with the requirements for obtaining or renewing the ICB Licenses.

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Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we have had incidents of non-compliance relating to an Audio-Visual Permit, none of which we believe could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Audio-Visual Permit

As required by applicable PRC laws and regulations, any entity that conducts the business of providing internet audio-visual program services is required to hold an Audio-Visual Permit or complete the requisite filing procedures. Effective from January 31, 2008, only state wholly-owned or state-controlled enterprises are eligible to apply for the Audio-Visual Permit, according to the Audio-Visual Regulations. For more information, see “Regulatory Overview — Regulations relating to Internet Audio-Visual Program Services.”

As of the Latest Practicable Date, each of Huayi Huilong, Yooeee Xingji and Hangzhou Youqu holds an Audio-Visual Permit. However, certain websites and/or apps operated by them or their respective subsidiaries have not been registered on the respective Audio-Visual Permit held by them, which is not in strict compliance with the relevant laws and regulations. Such websites and/or apps were launched after the effective date of the Audio-Visual Regulations and we are not eligible to apply for new Audio-Visual Permits or add such websites and/or apps to existing Audio-Visual Permits.

Our PRC Legal Advisor consulted with the competent regulatory authority in relation to the relevant permits. Based on such consultation, as advised by our PRC Legal Advisor, (i) under the Audio-Visual Regulations and as a matter of policy, we do not belong to the category of special entities that may apply for a new Audio-Visual Permit, and it is impracticable for us to add additional websites and/or apps to our existing Audio-Visual Permit either currently or upon the renewal of such Audio-Visual Permit, (ii) Huayi Huilong, Yooeee Xingji and Hangzhou Youqu and their respective subsidiaries may continue to conduct their business in providing internet audio-visual program services as currently conducted, so long as their operations are in compliance with the operating standards required under the Audio-Visual Regulations and other relevant laws and regulations, and (iii) such conduct of business will not result in the suspension of services of Huayi Huilong, Yooeee Xingji and Hangzhou Youqu and their respective subsidiaries, or revocation of the respective Audio-Visual Permit held by them.

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As advised by our PRC Legal Advisor, the maximum potential penalty for operating without the Audio-Visual Permit includes an order to suspend services, the seizure of related equipment used for such operating activities and a fine of one to two times the total investment in the business. Our PRC Legal Advisor has advised us that, based on the above consultation with the competent authority, the likelihood of Huayi Huilong, Yooeee Xingji, Hangzhou Youqu or their subsidiaries being subject to an order to suspend services because of the above situation is low.

Our Directors are of the view that the above situation did not and will not have a material adverse effect on our business, financial condition or results of operations. Our Directors have confirmed that we have not been subject to any material regulatory notice, fines, penalties or enforcement actions on account of such licensing status.

Pre-approval of the content of domestic online games

Beijing Kuaishou and Beijing Muyuan currently operate online games. According to the applicable PRC laws and regulations, an entity providing internet publishing services must, before launching its games online, file an application for pre-approval with NPPA. If we fail to obtain NPPA's pre-approval before commencement of launching online games, we may be ordered to discontinue the operation of such games and shut down the relevant website, and face confiscation of the illegal income and major equipment and specialized tools used for such illegal publishing activities and a fine ranging from five to ten times such illegal income, and other legal sanctions in more serious cases.

Due to the prolonged application process as a result of the temporary suspension by NPPA in approving the applications from March to December 2018, Beijing Kuaishou and Beijing Muyuan are still in the process of obtaining NPPA's pre-approval for certain online games that they operate as of the Latest Practicable Date. For each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, the revenue contribution from these games was less than 0.5%.

The non-compliance mentioned above was primarily attributable to administrative oversight and the relevant business managers being unfamiliar with and lack of comprehensive understanding of the applicable requirements as this business is not part of our core business and we only started to operate online games since 2018.

We initiated the application process for all these games shortly after we identified such oversight. We have not been subject to any regulatory notice, fines, penalties or enforcement actions in relation to the lack of pre-approval on these online games.

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To prevent the above-mentioned non-compliance incident from occurring again in the future, we have further enhanced the relevant internal control procedures. Prior to the operation of each game, our games department will work with the legal department to ensure that we have obtained the pre-approval from the NPPA for each game. With the endorsement of our senior management team, we have promulgated a new internal control policy requiring each new game to complete the administrative procedures before its launch, and requiring internal review on licenses that are required for our business operations on a regular basis. Further, we have strengthened our internal control procedures by specifying the following in order to prevent the recurrence of such non-compliance:

- (1) providing regular training to the relevant personnel in respect of the laws and requirements promulgated by the NPPA from time to time;
- (2) engaging external legal advisers from time to time to offer professional advice on the games and licensing management requirements and other regulatory and legal compliance requirements; and
- (3) establishing additional internal procedures requiring that our games department notify our legal department upon the entering of contracts relating to the operation of potential games and an internal system that tracks the progress of the relevant pre-approval application.

The Directors are of the view that the aforementioned non-compliance does not reflect negatively on the Directors' competency and/or willingness to manage our Company in compliance with relevant laws and regulations for the following reasons: (a) such non-compliance was due to administrative oversight, (b) we have initiated the application process for all these games and has strengthened internal control and established additional internal control procedures to prevent the re-occurrence of such non-compliance, and (c) such non-compliance did not and will not have a material adverse effect on our business, financial conditions and results of operations.

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Internal Control Measures

We have adopted the following measures to further improve our corporate governance and internal control systems:

- Establishing an Audit Committee comprising independent non-executive Directors to supervise our internal control systems;
- Our legal department will continue to oversee our legal and regulatory compliance related matters, including closely monitoring any update to applicable laws and regulations;
- Establishing internal control team to work closely with our business unit to (i) offer professional advice with respect to the risk management, (ii) improve internal process efficiency and monitor internal control effectiveness, and (iii) enhance risk awareness among key managers in our Company; and
- Developing additional measures, including implementation of internal control policy and provision of training programs to the relevant personnel.

Notice 78

According to Notice 78, platforms providing online show live streaming or e-commerce live streaming services shall, among other things, register their information and business operations by November 30, 2020, ensure real-name registration for all live streamers and virtual gifting users, prohibit users that are minors or without real-name registration from virtual gifting, and set a limit on the maximum amount of virtual gifting per time, per day, and per month. For more information, see “Risk Factors — Risks Related to Our Business — Given that the internet business is highly regulated in China, intensified government regulation of the short video, live streaming and e-commerce industries in China could also restrict our ability to maintain or increase our user base or the user traffic to our platform, which will materially and negatively impact our business operations and financial results. Our failure to obtain and maintain requisite approvals, licenses or permits applicable to our business or any changes in government policies or regulations, could harm our business,” and “Regulatory Overview — Regulations Relating to Online Live Streaming Services.”

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We have consulted with our PRC Legal Advisor as to the applicability and interpretation of the requirements under Notice 78 to our business, conducted an internal evaluation of our compliance measures and status of compliance with the requirements under Notice 78. We have employed the following measures to comply with Notice 78:

- (i) we registered the information and business operations of our platform with National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息管理系統) prior to November 30, 2020, in accordance with Notice 78;
- (ii) we had previously adopted policies in 2016 to require real-name registration for all streamers, and since 2018, we have implemented policies to require real-name registration for all new users upon registering a new account;
- (iii) we continue to employ a tagging system that separates content by age-appropriateness, which enables us to provide a youth mode for minors since April 2018. Minors are prohibited from virtual gifting under the youth mode. As of the end of December 2020, we have rolled out system updates on our apps to disable the virtual gifting function for all the users who can be identified as minors and attempt to use the virtual gifting function. Based on our internal testing, revenue contribution from minors we could identify on our platform constitute a minimal portion of our virtual gifting revenue. As a result, we do not expect revenue contribution from minors we could identify during the Track Record Period to have been material and do not expect that disabling the virtual gifting function for all minors we can identify will have a material impact on our virtual gifting revenue;
- (iv) with respect to the requirement of setting a cap on the amount of virtual gifting spending, as advised by our PRC Legal Advisor, there has been no clear guidance on the standard for the maximum amount of virtual gifting under Notice 78 as of the Latest Practicable Date. Since we have not received any notice or implementation rules on setting such cap on virtual gifting, we have not been able to set such cap or quantify the impact of such requirement on our business operations and financial performance as of the Latest Practicable Date. We intend to continue communicating with the NRTA and its local branches with respect to the standard for the maximum amount of virtual gifting. Once the NRTA provides specific implementation rules on the maximum amount of virtual gifting, we will be able to take measures to comply with the requirement on a timely basis. We believe we face low concentration risk in terms of user spending amounts on virtual gifting, with our top 50 users in terms of virtual gifting contributing less than 5% of our total gross billings from virtual gifting throughout the Track Record Period; and

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- (v) in relation to the other requirements under Notice 78, we believe that we have effective measures in place to ensure compliance with them in all material respects. However, given that Notice 78 was recently issued in November 2020, certain requirements under Notice 78 remain unclear. We have been communicating with regulatory authorities to seek more detailed guidelines with respect to the implementation of Notice 78.

Based on the above, except for certain requirements under Notice 78 that are subject to further guidance from the relevant regulatory authorities as discussed above, our Directors believe that our Company has effective measures in place, or is in the process of implementing such measures, to ensure compliance with the various requirements under Notice 78 in all material respects. As advised by our PRC Legal Advisor, Notice 78 does not stipulate any timelines for full compliance with the requirements therein, nor any penalties for any non-compliance under Notice 78. We have not received any notice of enforcement actions nor have we been subject to any administrative penalties in connection with any non-compliance under Notice 78 as of the Latest Practicable Date. Except for the requirement of setting a cap on the amount of virtual gifting spending and certain other requirements in Notice 78 that contain ambiguities, for which we are waiting for detailed implementation rules from the relevant regulatory authorities, our PRC Legal Advisor is of the view that we have effective measures in place to ensure compliance with the requirements under Notice 78 in all material respects.

RISK MANAGEMENT AND INTERNAL CONTROL

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethic and legal compliance. The demand in our industry for skilled employees is intense and we may be adversely affected by the departure of any key employees. See “Risk Factors — Risks Related to Our Business — Our business depends substantially on our ability to attract, train and retain qualified personnel, as well as the continuing efforts of our management and other key personnel that support our existing operations and future growth. If we lose their services, our operations and growth prospects may be materially and adversely affected.” Each of our executive officers and key employees has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us.

We also require our staff to conform to high ethical standards. We distribute copies of our employee handbook to all of our employees. The employee handbook contains, among other things, a code of conduct that each employee must comply with.

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We provide regular trainings to our staff on work ethic, working procedures, internal policies, management, technical skills and other aspects that are relevant to their day-to-day work. Through these trainings, we ensure their skillset is up-to-date and meets our requirements.

Information Technology Risk Management

See “— Data Security and Privacy” in this section for information about our information security procedures and policies.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We have established strict internal reimbursement and financial activities reporting policies. In particular, our financial department has implemented special inspection and verification procedures on invoices, bills, notes and other financial instruments, checking the legitimacy of the original instruments we receive and use. Our finance department also checks whether the amount and time provided on the face of the instrument match the relevant contracts.

Our finance team is headed by our chief financial officer, Mr. Chong Nicholas Yik Kay, who has extensive experience in finance and financial reporting. All other senior members of our finance department are experienced in finance and accounting. We provide ongoing training to our finance staff to ensure that our financial reporting and risk management policies are well-observed and effectively implemented.

Compliance and Intellectual Property Rights Risk Management

Compliance with PRC laws and regulations, especially laws and regulations governing the short video and live streaming industry, as well as the protection of our intellectual property rights and the prevention of liabilities resulting from violation of third-party intellectual property rights, are major areas of focus in our management of operational risk. As of September 30, 2020, our legal team consisted of 90 employees who had more than eight years of experience practicing PRC law on average. Our legal department is responsible for reviewing and approving contracts, monitoring updates to and changes in PRC laws and regulations and ensuring the ongoing compliance of our operations with PRC law.

Our legal department also assists our business department in ensuring that all necessary applications or filings for trademark, copyright and patent registrations have been timely made to the competent authorities, and that our intellectual properties are under the protection of relevant laws and regulations.

CONTRACTUAL ARRANGEMENTS

INTRODUCTION

Background

Foreign investment activities in the PRC are mainly governed by the Encouraging Catalog and the 2020 Negative List, which have been promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Encouraging Catalog sets forth the industries in which foreign investment is encouraged, while the 2020 Negative List sets forth the industries in which foreign investment is restricted or prohibited. A summary of our businesses that are subject to foreign investment restriction or prohibition in accordance with the 2020 Negative List and other applicable PRC laws and regulations (collectively, the “**Relevant Businesses**”) is set out below:

Categories	Relevant Business
Transmission of Audio-Visual Programs	<p>The short video and live streaming businesses engaged by certain of our Consolidated Affiliated Entities involve and constitute “Internet audio-visual program service” under the Audio-Visual Regulations, which would require an Audio-Visual Permit according to the Audio-Visual Regulations, promulgated by the SARFT and the MIIT on December 20, 2007 and last amended on August 28, 2015.</p> <p>According to the 2020 Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interest in an enterprise carrying out the business of transmission of audio-visual programs via information network.</p>
Internet Cultural Businesses	<p>The short video and live streaming and online games businesses engaged by certain of our Consolidated Affiliated Entities constitute “internet cultural businesses” as defined under the Internet Culture Provisions promulgated by the MOC on May 10, 2003 and last amended on December 15, 2017.</p>

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Categories	Relevant Business
	<p>According to the 2020 Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interest in an enterprise carrying out “internet cultural business” (excluding music).</p>
Value-added Telecommunications Services Business	<p>The short video and live streaming, online advertising facilitation business and online games business engaged by certain of our Consolidated Affiliated Entities are carried out through internet. Such businesses fall within the scope of telecommunications and information services provided through public network infrastructure (defined as “value-added telecommunication services business”) under the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, and 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, taking effect on January 1, 2002 and last amended with immediate effect on February 6, 2016.</p> <p>According to the 2020 Negative List and other applicable PRC laws, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting value-added telecommunications services business (excluding electronic commerce, domestic multi-party communication, storage-forwarding and call center).</p>

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Categories	Relevant Business
Radio and Television Program Production	<p>The short video and live streaming businesses engaged by certain of our Consolidated Affiliated Entities involve production of radio and television programs (the “Radio and Television Production Business”), pursuant to the Administrative Provisions on the Production and Distribution of Radio and Television Programs (《廣播電視節目製作經營管理規定》) promulgated by the GAPP, taking effect on August 20, 2004 and last amended with immediate effect on August 28, 2015. An entity is required to hold a Radio and Television Production Operation License under applicable PRC laws and regulations to carry out such business.</p> <p>According to the 2020 Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interest in any enterprise conducting radio and television production business.</p>

The Relevant Businesses

We operate the Relevant Businesses under the Contractual Arrangements and are of the view that the Contractual Arrangements are narrowly tailored for the reasons below:

(i) Short Video and Live Streaming

We operate online short video and live streaming platform through Huayi Huilong, Beijing Kuaishou, Beijing Danmu, Hangzhou Youqu, Beijing Yunche and Yooeee Xingji (which is a wholly-owned subsidiary of Beijing Sairui Sidong). As advised by our PRC Legal Advisor, the operation of an internet-based short video and live streaming platform involves providing a mix of (i) internet cultural business, (ii) transmission of audio-visual program services, (iii) radio and television program production business, and (iv) internet information services, a subcategory of value-added telecommunication services, under applicable PRC laws and regulations. These entities are required to hold the relevant licenses, including ICB License, ICP License, Audio-Visual Permit and/or Radio and Television Production Operation License, to carry out such businesses.

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As advised by our PRC Legal Advisor, we cannot acquire any equity interest in Huayi Huilong, Beijing Kuaishou, Beijing Danmu, Hangzhou Youqu, Beijing Yunche and Yooeee Xingji, as, under the 2020 Negative List and other applicable PRC laws, foreign investors are

- (a) prohibited from holding any equity interests in a PRC enterprise engaging in internet cultural business (excluding music), transmission of audio-visual program business, or radio and television program production business; and
- (b) restricted from holding more than 50% of the equity interests in an enterprise providing internet information services, which are categorized as “value-added telecommunications service business”. Additionally, the internet information services provided by the relevant entities are integrated into the operation of our short video and live streaming platform and cannot be separated from internet cultural businesses and transmission of audio-visual program services, which fall under the “foreign-prohibited” business category.

Based on the above, we believe that to maintain the business operations and the effectiveness of license and permits held by Huayi Huilong, Beijing Kuaishou, Beijing Danmu, Hangzhou Youqu, Beijing Yunche and Yooeee Xingji, these entities and their relevant holding companies must be controlled by the Company through the Contractual Arrangements. Furthermore, since the businesses operated by these entities fall within both “foreign-prohibited” and “foreign-restricted” business categories under the 2020 Negative List, we are unable to set up any alternative structure that allows us to partly hold equity interests in and partly control the economic benefits of these entities via the Contractual Arrangements.

(ii) Online Advertising Facilitation Business

Beijing Chenzhong provides online advertising facilitation business by connecting advertisers and our content creators through our online platform. Such advertising facilitation business is fully integrated into and forms an inseparable part of our short video and live streaming business, which falls under the “foreign-prohibited” business category under the 2020 Negative List. As confirmed in an interview with the relevant regulatory authority conducted on October 10, 2020, since such form of online advertising facilitation business is based on the short video and live streaming platform and forms an extension of our short video and live streaming businesses, it should be regarded as transmission of audio-visual programs via information network, which falls within the “foreign-prohibited” business category under the 2020 Negative List. Therefore, Beijing Chenzhong has to be controlled by our Company through the Contractual Arrangements.

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(iii) Live Streaming E-Commerce Business

Chengdu Kuaigou engages in live streaming e-commerce business and operates Kwai Shop, where a significant portion of our e-commerce transactions facilitated by streamers and short-video creators take place. Such live streaming e-commerce business is fully integrated into and forms an inseparable part of our live streaming business, which falls under the “foreign-prohibited” business category. As confirmed in an interview with the relevant regulatory authority, since such form of e-commerce is based on our live streaming platform and forms an extension of our live streaming business, it should be regarded as transmission of audio-visual programs via information network, which is subject to foreign-investment prohibition under the 2020 Negative List.

Additionally, Chengdu Kuaigou currently holds a valid ICB License, and it may expand its business into internet cultural businesses in the future to support the Group’s strategic development, which is subject to foreign-investment prohibition.

Based on the above, Chengdu Kuaigou has to be controlled by our Company through the Contractual Arrangements.

(iv) Online Games

Beijing Muyuan and Beijing Murong engage in the operation of online games on mobile telecommunications network. Each of Beijing Muyuan and Beijing Murong holds an ICB License and an ICP License. As advised by our PRC Legal Advisor, the operation of online games on mobile telecommunications network falls within the scope of “internet cultural business” and “value-added telecommunication services”. According to the 2020 Negative List and other applicable PRC laws, while foreign investors are allowed to hold no more than 50% equity interests in an enterprise conducting value-added telecommunication services (excluding electronic commerce, domestic multi-party communication, storage-forwarding and call center), foreign investors are prohibited from holding equity interests in any enterprise engaging in internet cultural business or operation of online games.

Beijing Mufei, Beijing Jiawen and Xingzhen Technology currently do not carry out any substantive business. However, they plan to apply for necessary licenses to commence the operation of online games in future, which falls under the “foreign-prohibited” business category under the 2020 Negative List.

Based on the above, in order to enable (a) Beijing Muyuan and Beijing Murong to continue operating online games on mobile telecommunications network; and (b) Beijing Mufei, Beijing Jiawen and Xingzhen Technology to commence the operation of online games in the future, these companies have to be controlled by the Company through the Contractual Arrangements.

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(v) *Supporting Functions which are Inseparable from the Operation of the Group's Short Video and Live Streaming Businesses*

Certain Consolidated Affiliate Entities are engaged in the provision of services to support the principal business of our Group, all of which are non-revenue generating entities.

(a) *Content Analysis, Customer Service and Provisions of Trainings*

As the operator of online short video and live streaming platform, the Group is required to ensure that the content displayed on the Group's platform complies with applicable PRC laws and regulations. As such, Wuhan Kuaishou, Jiangsu Huafu, Wuhan Yuji, Xiangxi Kuaishou, Chengdu Suiyi primarily provide content analysis functions, which form an integral part of and hence inseparable from the operation of our short video and live streaming platform.

Customer service is closely linked to and is an inseparable part of the Group's business. The Group's customer service provides support through telephone or online instant messages. It also helps users with issues they encounter, gathers feedback from customers and responds to customer complaints and recommendations. Huai'an Kangxiangfu, Huai'an Xingyi, Guizhou Fankuai, Tianjin Huilong and Sichuan Fuyuan Chun primarily provide such customer services. In order to streamline the corporate structure, Sichuan Fuyuan Chun no longer conducts any substantive business and is in the process of being deregistered with the relevant authority. It is expected that the deregistration process will be completed after the Listing.

Changsha Kuaishou provides trainings to our streamers to enhance their awareness of compliance with applicable laws and regulations when live streaming on our platform.

As advised by our PRC Legal Advisor, content analysis, customer services and provision of trainings to our streamers do not fall into any foreign-prohibited or foreign-restricted business category. However, the content analysis, customer service and provision of trainings to our streamers are fully integrated into and interdependent on the Group's operation of online short video and live streaming platform. Additionally, as confirmed in an interview with the relevant regulatory authority, since content analysis, customer services and provision of trainings to streamers are closely related to the short video and live streaming business, such supporting functions are part of the audio-visual business, a "foreign-prohibited" business category, from the perspective of regulatory administration, and therefore it is more appropriate for such supporting functions to be provided by entities and/or their subsidiaries operating the short video and live streaming businesses so as to satisfy the regulatory requirements.

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(b) Payment of Compensations to Streamers

Huai'an Kangxiangfu and Guizhou Fankuai pay compensations to our streamers through certain popular third-party online payment channels in China (the “**Third-Party Online Payment Channels**”). To meet the specific licensing requirements imposed by the Third-Party Online Payment Channels for using their respective payment services, each of Huai'an Kangxiangfu, Guizhou Fankuai and Guizhou Fanxin Lingzhi holds a valid ICB License.

(vi) Companies Incorporated for Future Business Development

(a) Internet Data Center

To meet the increasing demands for big data and AI technologies driven by the Group's massive and ever-growing user base, the Group is currently building a hyperscale internet data center in Ulanqab of Inner Mongolia, PRC. Upon completion, the Group's data center in Ulanqab is expected to accommodate 300,000 servers, the first batch of which are expected to be put into operation in 2021.

Kuaishou Smart Cloud will operate the Group's data center in Ulanqab. The provision of such services is regarded as the business of internet data center, a subcategory of value-added telecommunication service under the Telecommunication Business Catalogue (《電信業務分類目錄》), as last amended by the MIIT on June 6, 2019. The operation of such business would require the Value-added Telecommunication Business Operation Permit with Internet Data Center Services (including internet resources cooperation services) (“**IDC License**”).

In order to operate the Group's internet data center in Ulanqab, Kuaishou Smart Cloud will apply for an IDC License. As advised by the PRC Legal Advisor, other than certain exceptions allowed with a telecommunication service enterprise incorporated in Hong Kong or Macau, no enterprises which are partly invested or wholly owned by foreign investors are allowed to apply for or hold an IDC License. Therefore, Kuaishou Smart Cloud must be controlled by us through the Contractual Arrangements.

(b) Other Entities

Each of Beijing Kuaifu'an, Beijing Shanggu Kaitian, Xiong'an Kuaishou, Beijing Zhongbo Keyuan, Beijing Hanyu and Guizhou Fanxin Lingzhi holds an ICB License and/or an ICP License while they have not yet commenced substantive business operations.

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Beijing One Smile, Sichuan Kuaishou, Beijing Qingque, Huai'an Shuangxin, Beijing Ruigexing, Hainan Ziyi and Huankuai Technology do not hold specific foreign restricted/prohibited license and they have not yet commenced substantive business operations.

The entities above are not expected to commence any substantive business operations by the time of the Listing. We will undertake to procure these entities not to conduct any businesses that are not subject to foreign investment restrictions or prohibitions, and to the extent that any of these entities does, we will transfer such entity outside of the Contractual Arrangements prior to engaging in any unrestricted businesses.

Based on the above and considering that the entities above did not generate revenues during the Track Record Period, the Company controls these entities through the Contractual Arrangements.

(vii) Minority Investments

Furthermore, in our ordinary course of business we make minority investments in a number of companies. These companies are generally members of the broader “ecosystem” related to our business and provide products, services and/or resources that we believe can help us efficiently expand product and service offerings to our users, have developed proprietary technologies complementary to ours, or have the ability to help us enter into new markets. Beijing Kuaishou, a Consolidated Affiliated Entity, is the primary company conducted such investments in the PRC. The investments are passive, non-controlling interests and none of the investments are material to us. Given their immateriality and the fact that we do not consolidate or control them, and for the reasons outlined above, our Directors consider that our Contractual Arrangements are narrowly tailored.

These investments are investments classified as financial assets carried at fair value through profit or loss and are not consolidated into our Group’s financial statements. Changes in the fair value are included in profit or loss in the period in which they arise and presented within “Other gains/(losses), net” in the income statement. Upon disposal, the difference between the net sale proceeds and the carrying amount is also included in the income statement as “Other gains/(losses), net.”

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None of the minority investments controlled via the Contractual Arrangements are material to us. The long-term investments measured at fair value through profit or loss controlled via the Contractual Arrangements accounts for approximately 0.36%, 2.27%, 0.80% and 0.74% of our total assets as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively, and the fair value changes on investments measured at fair value through profit or loss controlled through the Contractual Arrangements accounts for approximately nil (the fair value changes on investments measured at fair value through profit or loss held by the Contractual Arrangements is zero for the year ended December 31, 2017), 0.05%, 0.32% and 0.08% of our total revenues for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively. The long-term investments measured at fair value through profit or loss attributed by the top five investments controlled through the Contractual Arrangements in aggregate accounts for approximately 0.36%, 1.63%, 0.29% and 0.16% of our total assets as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively, and the fair value changes on investments measured at fair value through profit or loss attributed by the top five investments controlled through the Contractual Arrangements in aggregate accounts for approximately nil, nil, 0.36% and 0.03% of our total revenues for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively.

Based on the above reasons, we are of the view that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct businesses in industries that are subject to foreign investment restrictions in mainland China. We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer prohibited or restricted from foreign investment.

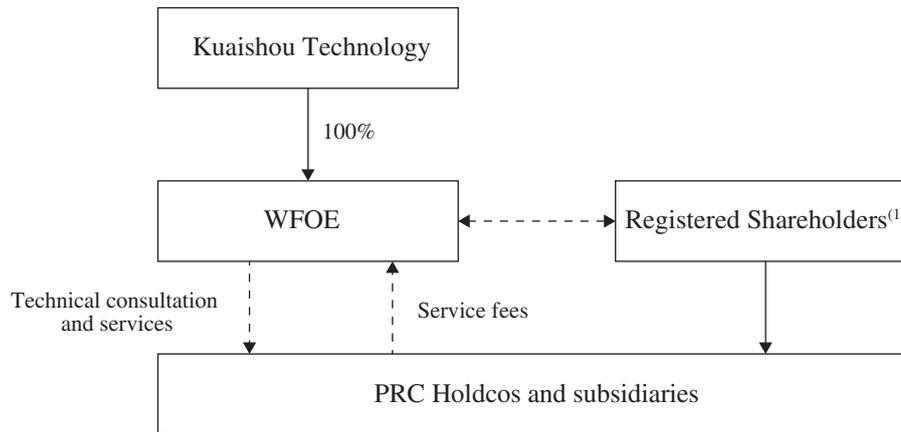
OUR CONTRACTUAL ARRANGEMENTS

Overview

Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations outlined above, we have determined that it was not viable for our Company to hold our Consolidated Affiliated Entities directly through equity ownership. Instead, we have decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive substantially all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements between WFOE, on the one hand, and the PRC Holdcos and the Registered Shareholders of the PRC Holdcos, on the other hand. In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we implemented the Contractual Arrangements with regards to our Consolidated Affiliated Entities.

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The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to WFOE and our Company as stipulated under the Contractual Arrangements, details of which are set out in “— Summary of the Material Terms under the Contractual Arrangements” in this section:



Notes:

- (1) Registered Shareholders refer to the registered shareholders of the PRC Holdcos, namely (i) Hangzhou Youqu, (ii) Huayi Huilong, (iii) Beijing One Smile, (iv) Beijing Mufei, (v) Beijing Jiawen, (vi) Beijing Hanyu, (vii) Beijing Murong, (viii) Guizhou Fankuai, (ix) Beijing Zhongbo Keyuan, (x) Sichuan Fuyuan Chun (this company is in the process of being deregistered), (xi) Huankuai Technology, (xii) Guizhou Fanxin Lingzhi, (xiii) Huai'an Shuangxin, and (xiv) Beijing Qingque. Among these Registered Shareholders, (i) Zhang Fei and Hu Changjuan are two Registered Shareholders of Beijing One Smile. Zhang Fei is a non-executive Director of our Company and a representative of 5Y Capital (formerly known as Morningside Venture Capital), and Hu Changjuan is a representative of Baidu, Inc. Both 5Y Capital and Baidu Inc. are Pre-IPO Investors of the Company; (ii) Su Hua is our co-founder, a Controlling Shareholder and an executive Director and holds the Shares of our Company through Reach Best; (iii) Cheng Yixiao is our co-founder, a Controlling Shareholder and an executive Director and holds the Shares of our Company through Ke Yong; (iv) Yin Xin is the director of Beijing Kuaishou and holds the Shares of our Company through Fortune One; (v) Yang Yuanxi is the director of Beijing Kuaishou Ads and holds the Shares of our Company through Jovial Star; and (vi) the information of other Registered Shareholders of our PRC Holdcos is set forth below.
- (2) The details of the shareholding structure of our PRC Holdcos are set out below:
 - (i) Hangzhou Youqu is owned by Su Hua as to 90% and Peng Xiaochun (an employee of our Group) as to 10%;
 - (ii) Huayi Huilong is owned by Yang Yuanxi as to 90% and Peng Xiaochun (an employee of our Group) as to 10%;
 - (iii) Beijing One Smile is owned by Su Hua as to 32.3224%, Cheng Yixiao as to 25.8561%, Zhang Fei as to 23.7038%, Yin Xin as to 7.3956%, Yang Yuanxi as to 5.5372% and Hu Changjuan as to 5.1850%;
 - (iv) Beijing Mufei is 100% owned by Zhang Xiaodong (an employee of our Group).
 - (v) Beijing Jiawen is 100% owned by Li Wendi (an employee of our Group).
 - (vi) Beijing Hanyu is owned as to 50% and 50% by Tao Shengru and Lu Yuan, both of whom are employees of our Group.
 - (vii) Beijing Murong is 100% owned by Chen Qu (an employee of our Group).

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- (viii) Guizhou Fankuai is owned by Jia Hongyi (an employee of our Group and a joint company secretary of our Company) as to 95% and Wang Lu (an employee of our Group) as to 5%.
 - (ix) Beijing Zhongbo Keyuan is owned by Lu Yuan to 90% and Tao Shengru as to 10%, both of whom are employees of our Group.
 - (x) Sichuan Fuyuanchun is owned by Tao Shengru to 55% and Lu Yuan as to 45%, both of whom are employees of our Group.
 - (xi) Huankuai Technology is 100% owned by Lu Hao, the brother-in-law of Su Hua.
 - (xii) Guizhou Fanxin Lingzhi is owned by Jia Hongyi (an employee of our Group and a joint company secretary of our Company) as to 95% and Peng Xiaochun (an employee of our Group) as to 5%.
 - (xiii) Huai'an Shuangxin is owned as to 50% and 50% by Jiao Xiang and Wang Lvbing, both of whom are employees of our Group.
 - (xiv) Beijing Qingque is owned as to 50% and 50% by Jia Hongyi (an employee of our Group and a joint company secretary of our Company) and Yin Xin (the director of Beijing Kuaishou and holding the Shares of our Company through Fortune One).
- (3) Among our 14 PRC Holdcos above, the Registered Shareholders of 11 PRC Holdcos (the “**Relevant 11 PRC Holdcos**”) are either employees of our Group or a close family member of our co-founder. The Group is of the view that currently these Relevant 11 PRC Holdcos are immaterial to the Group’s businesses and financial performance. In the event that any of these Relevant 11 PRC Holdcos becomes a material contributor of the Group’s revenue in the future, the Group would be able to rely on the following safeguards and measures put in place to manage the potential risks arising from the contractual arrangements:

a. Contractual Arrangements

The Contractual Arrangements enable WFOE to exercise effective control over the Relevant 11 PRC Holdcos. No event of default has ever occurred since our current contractual arrangements were put in place and we have not experienced any practical difficulties in enforcing the contractual arrangements. The contractual arrangements agreements are binding upon all the Registered Shareholders of the Relevant 11 PRC Holdcos, which are in compliant with the requirements of the HKEX-LD43-3 and consistent with the terms of contractual arrangements adopted by other issuers listed on the Stock Exchange. In particular:

- i. Under the exclusive option agreements between WFOE and the Registered Shareholders of the Relevant 11 PRC Holdcos, WFOE has the exclusive and irrevocable right to purchase, or designate one or more persons/entities to purchase (i) from the Registered Shareholders of the Relevant 11 PRC Holdcos all or part of their equity interests in the Relevant 11 PRC Holdcos, and (ii) from the Relevant 11 PRC Holdcos all or any part of the assets of the Relevant 11 PRC Holdcos, at any time in WFOE’s absolute discretion. The consideration for purchasing the equity interest of the Relevant 11 PRC Holdcos from the respective Registered Shareholders shall be RMB1 or the lowest price as permitted by applicable PRC laws. The consideration for purchasing assets from the Relevant 11 PRC Holdcos shall be the lowest price as permitted by applicable PRC laws.

Therefore, if any of the Relevant 11 PRC Holdcos becomes a material contributor of the Group’s revenue in the future, when necessary, WFOE can exercise its rights under the exclusive option agreements to purchase or designate one or more persons (such as our Controlling Shareholders) to purchase, all the equity interest of any of the Relevant 11 PRC Holdcos at RMB1 or the lowest price as permitted by applicable PRC laws, or all the assets of the Relevant 11 PRC Holdcos at the lowest price as permitted by applicable PRC laws.

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- ii. In order to further secure WFOE's rights under the exclusive option agreements, the respective Registered Shareholders of the Relevant 11 PRC Holdcos have also entered into the equity pledge agreements with the Relevant 11 PRC Holdcos and WFOE, pursuant to which the Registered Shareholders of the Relevant 11 PRC Holdcos agreed to pledge all their equity interest in the Relevant 11 PRC Holdcos in favour of WFOE as a security to guarantee their performance of the contractual obligations (including their obligations under the exclusive option agreements). These equity pledges come into effect upon completion of the registration with the relevant administration for industry and commerce and will remain valid until all the contractual obligations of the Registered Shareholders of the Relevant 11 PRC Holdcos have been fully performed. The registration of the equity pledge agreements involving all the Relevant 11 PRC Holdcos have been duly completed.
- iii. The Registered Shareholders of the Relevant 11 PRC Holdcos have also executed the shareholder voting rights proxy agreements, under which these Registered Shareholders irrevocably appointed WFOE and its designated persons (including but not limited to the directors of the holding companies of WFOE and their successors and the liquidators replacing such director or successors) as their exclusive agent to exercise on their behalf, any and all rights that they have in respect of their equity interests in the Relevant 11 PRC Holdcos, including shareholders' voting rights.
- iv. The Registered Shareholders of the Relevant 11 PRC Holdcos have delivered a confirmation to the Company to the effect that (i) his/her interests in the Relevant 11 PRC Holdcos do not fall within the scope of communal properties; and (ii) in the event of his/her death, disappearance, incapacity, divorce, marriage or any other event which causes his/her inability to exercise his/her rights as a shareholder of the Relevant 11 PRC Holdcos, his/her successors (including his/her spouse) will not take any actions that would affect his/her obligations under the Contractual Arrangements.
- v. The spouses of the Registered Shareholders of the Relevant 11 PRC Holdcos have also executed an undertaking to confirm, among others, (i) his/her spouse's interests in the Relevant 11 PRC Holdcos do not fall within the scope of communal properties; and (ii) he/she has no right to or control over the interests of the Registered Shareholders in the Relevant 11 PRC Holdcos and will not have any claim on such interests.

b. Centralized Management

Although the Registered Shareholders of the Relevant 11 PRC Holdcos are the shareholders of these entities on record, the Group is managed centrally and the Registered Shareholders themselves have a limited role to play in the day-to-day management of the Relevant 11 PRC Holdcos save for performing various administrative functions. Given the Group's reach across multiple jurisdictions, the Group is managed on a group basis by a team of individuals most relevant and responsible for managing its business (the "**Core Management**", which includes Su Hua, Cheng Yixiao, the two executive Directors and the co-founders of our Group, and Chong Nicholas Yik Kay and Chen Dingjia, two members of the Group's senior management), with support from management and operational teams based in both the headquarters of the Group in Beijing and local teams. The Core Management is primarily responsible for the day-to-day and overall management of the business and operations of the Group. The Registered Shareholders of the Relevant 11 PRC Holdcos are legally bound, and accustomed to carry out the instructions of the Core Management.

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c. Established procedures of using corporate chops and seals

The Group has also implemented a strict control system over the use of corporate chops and seals as an important part of its overall control over the PRC Holdcos. The corporate chops and seals of the Relevant 11 PRC Holdcos are centrally held and secured at the Group's headquarters, and the Group has designated specific personnel to be responsible for administering the corporate chops and seals. The corporate chops and seals can only be used by following the Group's established policies and procedures and none of the Registered Shareholders of the Relevant 11 PRC Holdcos are able to obtain and affix chops and seals without proper authorization. Before using the corporate chops and seals, an application must be initiated in accordance with the Group's internal approval procedures and the designated personnel responsible for chop administration will only affix chops after all the necessary approvals have been obtained.

- (4) “—▶” denotes beneficial ownership in the equity interest. WFOE is an indirect wholly-owned subsidiary of Kuaishou Technology.
- (5) “- - ▶” denotes contractual relationship.
- (6) “- - - ” denotes the control by WFOE over the Registered Shareholders and the PRC Holdcos through (i) proxy agreement to exercise all shareholders' rights in the PRC Holdcos, (ii) exclusive options to acquire all or part of the equity interests and assets of the PRC Holdcos and (iii) equity pledges over the equity interests in the PRC Holdcos.

Summary of the Material Terms under the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements entered into by WFOE and each of the PRC Holdcos is set out below:

Exclusive Technical Consultation and Service Agreements

As part of the Contractual Arrangements, the PRC Holdcos have entered into the amended and restated exclusive technical consultation and service agreements (the “**Exclusive Technical Consultation and Service Agreements**”) with WFOE, respectively, which contain similar terms and conditions. Pursuant to the Exclusive Technical Consultation and Service Agreements, in exchange for service fees, the PRC Holdcos have agreed to engage WFOE as their respective exclusive provider of the following technical consultation and services:

- the research and development of technologies required by the PRC Holdcos' businesses, including the development, design and production of database software for business information, user interface software and other related technologies, and to grant them for the PRC Holdcos' use;
- the application and implementation of technologies relating to the operation of the PRC Holdcos' businesses, including but not limited to system design, system installation and debugging and system trial runs;

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- the daily maintenance, monitoring, debugging and troubleshooting for the PRC Holdcos' computers and network software equipment (including information databases), including the timely entering users' information into the database, or timely updating the database, regularly updating the user interface and providing other related technical services according to other business information provided by the PRC Holdcos' at any time;
- providing consultation services for the procurement of required equipment, software and hardware for the PRC Holdcos' network operations, including but not limited to utility software, applications and selection of technology platforms, system installation and testing, and advise on their complementary hardware facilities, equipment models and their respective performances;
- providing suitable training and technical support and assistance to employees of the PRC Holdcos, including but not limited to customer service and technological training, introduction to the installation and operation of systems and equipment, resolving problems that may arise during the installation and operation of systems and equipment, providing consultation and suggestions on online editing platforms and software, helping the PRC Holdcos collect and compile all kinds of information;
- providing technical consultations and solutions to technical questions raised by the PRC Holdcos in relation to network equipment, technical products and software; and
- other relevant services and consultation as required by the PRC Holdcos' businesses.

The service fees shall consist of 100% of the total consolidated profit of the Consolidated Affiliated Entities, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes, other statutory contributions, and any reasonable operating profits calculated based on the application of PRC tax law principles and tax practices. Notwithstanding the foregoing, the WFOE may adjust the scope and amount of service fees in accordance with PRC tax law principles and tax practices, and with reference to the working capital needs of the PRC Holdcos, and the PRC Holdcos will accept any such adjustment. The WFOE will calculate the service fees on a monthly basis and issue a corresponding invoice to the PRC Holdcos. Notwithstanding the payment arrangements in the Exclusive Technical Consultation and Service Agreements, WFOE may adjust the payment time and method, and the PRC Holdcos will accept any such adjustment.

In addition, absent the prior written consent of WFOE, during the term of the Exclusive Technical Consultation and Service Agreements, with respect to the services subject to the Exclusive Technical Consultation and Service Agreements, the PRC Holdcos shall not accept the same or any similar consultation or services provided by any third party.

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The Exclusive Technical Consultation and Service Agreements also provide that WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the PRC Holdcos during the performance of the Exclusive Technical Consultation and Service Agreements.

The Exclusive Technical Consultation and Service Agreements shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Technical Consultation and Service Agreements; (b) in writing by the WFOE; or (c) renewal of the expired business period of either the WFOE or the PRC Holdcos is declined or rejected by relevant government authorities, at which time the Exclusive Technical Consultation and Service Agreements will terminate upon termination of that business period.

Exclusive Option Agreements

As part of the Contractual Arrangements, the respective Registered Shareholders have entered into the amended and restated exclusive option agreements (the “**Exclusive Option Agreements**”) with the PRC Holdcos and WFOE, each of which contains similar terms and conditions. Pursuant to the Exclusive Option Agreements, WFOE has the exclusive and irrevocable right to purchase, or to designate one or more persons/entities to purchase, from the Registered Shareholders of the PRC Holdcos all or any part of their equity interests in the PRC Holdcos and from the PRC Holdcos all or any part of the assets of the PRC Holdcos at any time in WFOE’s absolute discretion in accordance with the provisions of the Exclusive Option Agreements and to the extent permitted by the PRC laws. The consideration in relation to purchasing shares from the Registered Shareholders of the PRC Holdcos shall be RMB1 or the lowest price as permitted by the applicable PRC laws. The consideration in relation to purchasing assets from the PRC Holdcos shall be the lowest price as permitted under the applicable PRC laws.

The PRC Holdcos and the Registered Shareholders of the respective PRC Holdcos, among other things, have covenanted that:

- without the prior written consent of WFOE, they shall not in any manner supplement, change or amend the constitutional documents of the PRC Holdcos, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- they shall maintain the PRC Holdcos’ corporate existence in accordance with good financial and business standards and practices, and prudently and effectively operate their business and handle their affairs;

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- without the prior written consent of WFOE, they shall not at any time following the signing of the Exclusive Option Agreements sell, transfer, pledge or dispose of in any manner any assets of the PRC Holdcos or legal or beneficial interest in the material business or revenues of the PRC Holdcos, or allow the encumbrance thereon of any security interest;
- without the prior written consent of WFOE, the PRC Holdcos shall not incur, inherit, guarantee or assume any debt, except for (i) debts incurred in the ordinary course of business other than payables incurred by a loan, and (ii) debts already disclosed to WFOE and obtained written approval from WFOE;
- the PRC Holdcos shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect the PRC Holdcos' operating status and asset value;
- without the prior written consent of WFOE, the PRC Holdcos shall not execute any material contracts (including but not limited to contracts with a value above RMB5,000,000), except the contracts executed in the ordinary course of business;
- without the prior written consent of WFOE, the PRC Holdcos shall not provide any person with any loan, guarantee or credit;
- they shall provide WFOE with information on the PRC Holdcos' business operations and financial condition at the request of WFOE;
- they shall procure and maintain insurance in respect of the PRC Holdcos' assets and businesses from an insurance carrier acceptable to WFOE, at an amount and type of coverage typical for companies that operate similar businesses or hold similar properties or assets in the same region;
- without the prior written consent of WFOE, they shall not cause or permit the PRC Holdcos to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the PRC Holdcos' assets, businesses or revenues;

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- to maintain the ownership by the PRC Holdcos of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- without the prior written consent of WFOE, the PRC Holdcos shall not in any manner distribute dividends, provided that upon the written request of WFOE, the PRC Holdcos shall immediately distribute all distributable profits to their shareholders; and
- at the request of WFOE, they shall appoint any persons designated or approved by WFOE as the directors and/or senior management of the PRC Holdcos.

In addition, the Registered Shareholders of the PRC Holdcos, among other things, have covenanted that:

- without the written consent of WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the ownership or beneficial interest in the PRC Holdcos, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreements (as defined below);
- for each exercise of the equity purchase option, to procure the shareholders' meeting of the PRC Holdcos to vote on the approval of the transfer of equity interests;
- at the request of WFOE at any time, they shall transfer their equity interests to WFOE or a representative appointed by WFOE immediately and unconditionally at any time, and relinquish the pre-emptive right he/she/it is entitled to in relation to the transfer of equity interest by other existing shareholders to the PRC Holdcos;
- each of them will strictly abide by the provisions of the Exclusive Option Agreements, perform the obligations under these agreements in a practical manner, refrain from any action/omission which would affect the validity of such agreements;
- each of them will immediately gift any profits, dividends, or liquidation proceeds received from the PRC Holdcos to WFOE or a representative appointed by WFOE to the extent permitted by the PRC laws; and
- each of them will bear joint and several liability for the obligations under the Exclusive Option Agreements.

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The Exclusive Option Agreements shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in the PRC Holdcos have been transferred to the WFOE or its appointee(s).

Equity Pledge Agreements

As part of the Contractual Arrangements, the respective Registered Shareholders have entered into the amended and restated equity pledge agreements (the “**Equity Pledge Agreements**”) with the PRC Holdcos and WFOE, each of which contains similar terms and conditions. Pursuant to the Equity Pledge Agreements, the Registered Shareholders of the PRC Holdcos agreed to pledge all their respective equity interests in the PRC Holdcos that they own, including any interest or dividend paid for the shares, to WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The Equity Pledges came into effect upon completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders of the PRC Holdcos and the PRC Holdcos under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders of the PRC Holdcos and the PRC Holdcos under the relevant Contractual Arrangements have been paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), WFOE shall have the right to exercise all such rights as a secured party under the Equity Pledge Agreements and any applicable PRC law, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders of the PRC Holdcos.

As of the Latest Practicable Date, the registrations of all the Equity Pledge Agreements in relation to our PRC Holdcos had been completed.

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Shareholder Voting Rights Proxy Agreements

The Registered Shareholders of the PRC Holdcos have executed into the amended and restated shareholder voting rights proxy agreements (the “**Proxy Agreements**”). Under the Proxy Agreements, the Registered Shareholders of the PRC Holdcos irrevocably appointed WFOE and its designated persons (including but not limited to the directors of the holding companies of WFOE and their successors and the liquidators replacing such directors or successors) as their exclusive agent to exercise on their behalf, any and all rights that they have in respect of their equity interests in the PRC Holdcos, including without limitation:

- to propose, convene and attend shareholders’ meetings of PRC Holdcos according to the PRC Holdcos’ articles of association;
- to exercise the voting rights and any power they are entitled to as shareholders of the PRC Holdcos, including but not limited to the appointment and selection of directors, supervisors, general manager and other members of senior management appointed by shareholders; and
- to exercise all other shareholders’ voting rights under the PRC Holdcos’ articles of association and other applicable laws (including any other voting rights provided by the articles after amending the articles).

Further, the Proxy Agreements are irrevocable and shall remain effective for so long as each shareholder holds equity interests in the PRC Holdcos.

Confirmation from the Registered Shareholders

Each of the Registered Shareholders has confirmed to the effect that (i) his/her interests do not fall within the scope of communal properties, and his/her spouse does not have the right to claim any interests in the respective PRC Holdcos (together with any other interests therein) or exert influence on the day-to-day management and voting matters of the respective PRC Holdcos; and (ii) in the event of his/her death, disappearance, incapacity, divorce, marriage or any other event which causes his/her inability to exercise his/her rights as a shareholder of the respective PRC Holdcos, his/her successors (including his/her spouse) will not take any actions that would affect his/her obligations under the Contractual Arrangements.

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Spouse Undertakings

The spouse of the relevant Registered Shareholders, where applicable, has signed amended and restated undertakings to the effect that (i) he/she has no right to or control over such interests of the respective registered shareholder and will not have any claim on such interests; (ii) confirms that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her; (iii) the respective spouse's interests in the PRC Holdcos (together with any interests therein) do not fall within the scope of communal properties; and (iv) if he/she is transferred any shares held by their spouse for any reason, he/she will be bound by the Contractual Arrangements and will observe obligations as a shareholder of the PRC Holdcos, and will sign all necessary documents and to take all necessary actions to ensure the Contractual Arrangements are properly preformed.

Other Key Terms Thereunder

Dispute resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration after 30 days from negotiation notice issued by the other party, in accordance with the then effective arbitration rules. The arbitral tribunal shall consist of three arbitrators appointed in accordance with the arbitration rules, with the claimant and respondent each appointing one arbitrator and the third arbitrator being agreed and appointed by the first two arbitrators or by CIETAC. The seat of arbitration shall be in Beijing, and the arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that to the extent permitted by PRC law, the arbitral tribunal may award remedies over the shares or assets of our PRC Holdcos and its subsidiaries or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of our PRC Holdcos. Any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of WFOE or our PRC Holdcos are located for interim remedies or injunctive relief in support of arbitration proceedings. During the arbitration, except for the disputed areas which are subject to arbitration, the parties shall continue to perform their other obligations under the Contractual Arrangements.

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However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Advisor that: (a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in our Consolidated Affiliated Entities in case of disputes. As such, these remedies may not be available to our Group under PRC laws; (b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our Consolidated Affiliated Entities, injunctive relief or winding-up of each of our Consolidated Affiliated Entities as interim remedies, before there is any final outcome of arbitration; (c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in each of our Consolidated Affiliated Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures; (d) 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 the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over each of our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected; and (e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that the PRC Holdcos or their respective 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. See “Risk Factors — Risks Relating to our Corporate Structure” for further details.

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Conflict of interest

Each of the Registered Shareholders of the PRC Holdcos has given their irrevocable undertakings in the Powers 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 “— Powers of Attorney” above.

Loss sharing

Under the relevant PRC laws and regulations, neither our Company nor WFOE is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts its business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses.

However, as provided in the Exclusive Option Agreements, without the prior written consent of WFOE, the PRC Holdcos shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of its assets; (ii) execute any material contract with a value above RMB5,000,000, except those entered into in the ordinary course of business; (iii) provide any person with any loan, guarantee or credit; (iv) incur, inherit, guarantee or assume any debt that is not incurred in the ordinary course of business or without written approval from WFOE; (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other manner. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on WFOE and our Company in the event of any loss suffered from the PRC Holdcos can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Option Agreements, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholders of our Consolidated Affiliated Entities shall give the proceeds they received from liquidation as a gift to WFOE or its designee(s) to the extent permitted by the PRC laws.

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Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in “Risk Factors — Risks Relating to Our Corporate Structure”. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, our Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, see “Risk Factors — Risks Relating to Our Business”.

Our confirmation

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.

Circumstances under which we will adjust or unwind the Contractual Arrangements

If the relevant business is no longer falling in the catalog of prohibitions or certain conditions and permission of foreign investment access required under the applicable laws, and we can legally operate our business under PRC laws, regulations and policies, the WFOE will exercise the call option under the Exclusive Option Agreements to acquire the equity interest/assets of the PRC Holdcos and unwind the Contractual Arrangements subject to any application or approval procedures and the approval by the relevant governmental authorities.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. Our PRC Legal Advisor has also advised that:

- (a) as confirmed by the parties to the Contractual Arrangements, each of WFOE and the PRC Holdcos has obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;

CONTRACTUAL ARRANGEMENTS

- (b) each of the agreements is binding on the parties thereto and none of them would violate the provisions of the Civil Code including in particular “impairing others’ legitimate rights and interests with malicious collusion” or fall within any of the circumstances under which a contract may become invalid pursuant to the Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or the WFOE;
- (d) the execution and performance of the Contractual Arrangements are not required to obtain any approval or authorization from the PRC governmental authorities, except that:
 - (i) the exercise of the option by our WFOE or its designee of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests and/or the assets of our PRC Holdcos is subject to the approvals of and/or registrations with the PRC regulatory authorities respectively;
 - (ii) any share pledge contemplated under the Equity Pledge Agreements is subject to the registration with local administration bureau for market regulation; and
 - (iii) the arbitration awards/interim remedies provided under the dispute restitution provision of the Contractual Arrangements shall subject to the PRC courts’ recognition.
- (e) each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution and the liquidating committee:
 - (i) the Contractual Arrangements provide that any dispute shall be submitted to the CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of our PRC Holdcos or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of our PRC Holdcos) also have jurisdiction for the grant and/or enforcement of the interim remedies against the shares or properties of the Consolidated Affiliated Entities. However, our PRC Legal Advisor has advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and

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- (ii) the Contractual Arrangements provide that the Registered Shareholders of the PRC Holdcos undertake to appoint a committee designated by our WFOE as the liquidation committee upon the winding up of the Consolidated Affiliated Entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

However, we have been advised by our PRC Legal Advisor that there are uncertainties regarding the interpretation and application of the current and future PRC laws and regulations over the validity of the Contractual Arrangements. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to or otherwise different from the above opinions of our PRC Legal Advisor in the future. See “Risk Factors — Risks Related to our Corporate Structure”.

Notwithstanding the foregoing, during the interviews with MIIT, NRTA and MCT conducted by the Joint Sponsors’ PRC legal advisor and our PRC Legal Advisor on September 28, October 10 and October 13, 2020, the officers of MIIT, NRTA and MCT confirmed that our Contractual Arrangements would not be challenged by MIIT, NRTA or MCT or subject to penalty imposed by them due to violation of any relevant PRC laws or regulations.

Our PRC Legal Advisor is of the view that (a) the MIIT, NRTA and MCT are the competent regulatory authorities for the Company’s principal business activities and therefore have competent authorities to give the confirmations above; (b) based on these interviews, the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the current applicable PRC laws and regulations; and (c) the adoption of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations.

Based on the above analysis and 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. See “Risk Factors — Risks Related to Our Corporate Structure”.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of our Consolidated Affiliated Entities

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements as disclosed above enable our Company to exercise control over the Consolidated Affiliated Entities.

Under the Exclusive Technical Consultation and Service Agreements, it is agreed that, in consideration of the services provided by WFOE, each of our PRC Holdcos will pay services fees to WFOE. The services fees, subject to WFOE's adjustment, are equal to the entirety of the total consolidated profit of our PRC Holdcos (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). WFOE may adjust the services scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities. WFOE also have the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, WFOE has the ability, at its sole discretion, to extract all of the economic benefit of our PRC Holdcos through the Exclusive Technical Consultation and Service Agreements.

In addition, under the Exclusive Technical Consultation and Service Agreements and the Exclusive Option Agreements, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as WFOE's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders of the Consolidated Affiliated Entities receive any profit distribution or dividend from our Consolidated Affiliated Entities, such Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

The Contractual Arrangements enable WFOE to exercise effective control over the Consolidated Affiliated Entities and accordingly, WFOE has the right to variable returns from its involvement with the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are accounted as subsidiaries of the Company for the purpose of the historical financial information for the Track Record Period and the historical financial information of the Consolidated Affiliated Entities for the Track Record Period are consolidated in the historical financial information of the Company for the Track Record Period.

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In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 2.2.1 to the Accountant's Report in Appendix I to this prospectus.

OUR DIRECTORS' VIEW

Based on the above, our Directors are of the view that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC. Our Directors further believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements will be negotiated on an arm's length basis and entered into between WFOE, our Consolidated Affiliated Entities and the respective Registered Shareholders of the PRC Holdcos; (ii) by entering into the Exclusive Technical Consultation and Service Agreements (as defined below) with WFOE, which is a PRC subsidiary of our Company, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Foreign Investment Law

The PRC Foreign Investment Law became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》). The FIL constitutes the legal foundation for foreign investment in the PRC. The FIL is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL, China adopts a system of national treatment plus 2020 Negative List with respect to foreign investment administration, and the 2020 Negative List will be issued by, amended or released upon approval by the State Council, from time to time. The 2020 Negative List sets out the industries in which foreign investments are prohibited or restricted. Foreign investors would not be allowed to make investments in prohibited industries, while foreign investments must satisfy certain conditions stipulated in the 2020 Negative List for investment in restricted industries. Foreign investment and domestic investment in industries outside the scope of the 2020 Negative List shall be treated equally. On December 26, 2019, the State Council issued the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Regulations**”) which became effective on January 1,

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2020. The Implementation Regulations provide that foreign investments in sectors on the 2020 Negative List shall comply with special management measures in respect of shareholding, senior management personnel and other matters stipulated under the 2020 Negative List.

The FIL defines the foreign investment as the investment activities directly or indirectly conducted by foreign investors in the PRC, and sets forth the specific situations that should be regarded as foreign investment. Furthermore, the FIL stipulates that foreign investment includes the investment made in the PRC by foreign investors through any other means under the laws, administrative regulations and provisions stipulated by the State Council. Our PRC Legal Advisor confirmed that the FIL does not specify contractual arrangements as a form of foreign investment. In that regard, if there is no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the FIL will not have a material impact on the Contractual Arrangements and each of the agreements under the Contractual Arrangements, and the legality and validity of the Contractual Arrangements would not be affected. See “Risk Factors — Risks Relating to Our Corporate Structure” for further details of the risks we face relating to our Contractual Arrangements.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted 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:

- (a) 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;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (d) 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 WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, Mr. Su Hua, our co-founder, executive Director, chairman of the Board and Chief Executive Officer, will be interested in and will control, through Reach Best, 427,469,521 Class A Shares and 56,961,183 Class B Shares. Each Class A Shares has 10 votes per share and each Class B Shares has one vote per share, capable of being exercised on resolutions in general meeting. For certain Reserved Matters, the Class A Shares beneficially owned by Mr. Su Hua carry one vote per share.

Assuming (a) the Over-allotment Option is not exercised; (b) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (c) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme:

- (1) Mr. Su Hua's aggregated shareholding will be approximately 11.79% of our total issued share capital and he will hold approximately 39.36% of the voting rights in the Company through shares beneficially owned by him capable of being exercised on resolutions in general meetings (except for resolutions with respect to the Reserved Matters, in relation to which each share is entitled to one vote).
- (2) In relation to the Reserved Matters, the Class A Shares beneficially owned by Mr. Su Hua carry one vote per share, and the aggregate percentage of voting rights that Mr. Su Hua may exercise in respect of the Reserved Matters is approximately 11.79%.

Assuming (a) the Over-allotment Option is fully exercised, pursuant to which Mr. Su Hua (through Reach Best) may be required to sell up to 2,247,400 Class B Shares; (b) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (c) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme:

- (1) Mr. Su Hua's aggregated shareholding will be approximately 11.59% of our total issued share capital and he will hold approximately 39.16% of the voting rights in the Company through shares beneficially owned by him capable of being exercised on resolutions in general meetings (except for resolutions with respect to the Reserved Matters, in relation to which each share is entitled to one vote).
- (2) In relation to the Reserved Matters, the Class A Shares beneficially owned by Mr. Su Hua carry one vote per share, and the aggregate percentage of voting rights that Mr. Su Hua may exercise in respect of the Reserved Matters is approximately 11.59%.

Therefore, Mr. Su Hua and Reach Best will be our Controlling Shareholders after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, Mr. Cheng Yixiao, our co-founder, executive Director and Chief Product Officer, will be interested in and will control, through Ke Yong, 338,767,480 Class A Shares and 45,568,873 Class B Shares. Each Class A Shares has 10 votes per share and each Class B Shares has one vote per share, capable of being exercised on resolutions in general meeting. For certain Reserved Matters, the Class A Shares beneficially owned by Mr. Cheng Yixiao carry one vote per share.

Assuming (a) the Over-allotment Option is not exercised; (b) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (c) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme:

- (1) Mr. Cheng Yixiao's aggregated shareholding will be approximately 9.36% of our total issued share capital and he will hold approximately 31.20% of the voting rights in the Company through shares beneficially owned by him capable of being exercised on resolutions in general meetings (except for resolutions with respect to the Reserved Matters, in relation to which each share is entitled to one vote).
- (2) In relation to the Reserved Matters, the Class A Shares beneficially owned by Mr. Cheng Yixiao carry one vote per share, and the aggregate percentage of voting rights that Mr. Cheng Yixiao may exercise in respect of the Reserved Matters is approximately 9.36%.

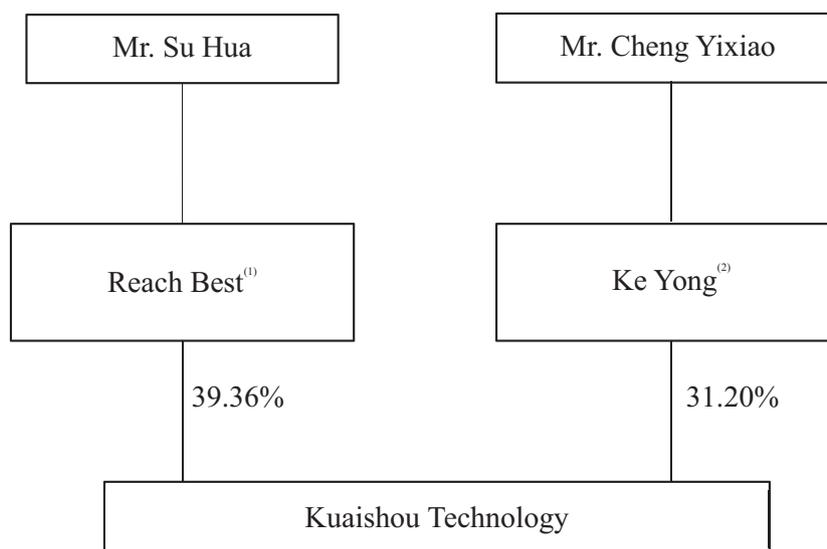
Assuming (a) the Over-allotment Option is fully exercised, pursuant to which Mr. Cheng Yixiao (through Ke Yong) may be required to sell up to 1,798,000 Class B Shares; (b) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (c) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme:

- (1) Mr. Cheng Yixiao's aggregated shareholding will be approximately 9.20% of our total issued share capital and he will hold approximately 31.04% of the voting rights in the Company through shares beneficially owned by him capable of being exercised on resolutions in general meetings (except for resolutions with respect to the Reserved Matters, in relation to which each share is entitled to one vote).
- (2) In relation to the Reserved Matters, the Class A Shares beneficially owned by Mr. Cheng Yixiao carry one vote per share, and the aggregate percentage of voting rights that Mr. Cheng Yixiao may exercise in respect of the Reserved Matters is approximately 9.20%.

Therefore, Mr. Cheng Yixiao and Ke Yong will be our Controlling Shareholders after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following diagram illustrates the ultimate beneficial interest of our Controlling Shareholders' voting rights for resolutions in general meetings with respect to matters other than the Reserved Matters, immediately following the completion of the Global Offering (assuming (a) the Over-allotment Option is not exercised; (b) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (c) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme):



Notes:

- (1) Immediately after the completion of the Global Offering (assuming (a) the Over-allotment Option is not exercised; (b) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (c) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme), Reach Best will hold 427,469,521 Class A Shares and 56,961,183 Class B Shares, representing an aggregate of approximately 39.36% of the voting rights in the Company capable of being exercised on resolutions in general meetings and approximately 11.79% of the voting rights in the Company in relation to the Reserved Matters. The entire interest of Reach Best is held through a trust which was established by Mr. Su Hua (as the settlor) for the benefit of Mr. Su Hua and his family.
- (2) Immediately after the completion of the Global Offering (assuming (a) the Over-allotment Option is not exercised; (b) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (c) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme), Ke Yong will hold 338,767,480 Class A Shares and 45,568,873 Class B Shares, representing an aggregate of approximately 31.20% of the voting rights in the Company capable of being exercised on resolutions in general meetings and approximately 9.36% of the voting rights in the Company in relation to the Reserved Matters. The entire interest of Ke Yong is held through a trust which was established by Mr. Cheng Yixiao (as the settlor) for the benefit of Mr. Cheng Yixiao and his family.

For further information about the weighted voting rights attached to the Class A Shares, see “Share Capital.”

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 their 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 nine Directors comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. For more information, see “Directors and Senior Management.”

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his 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;
- (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 required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance Measures” in this section for further information.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective associates after the Listing:

- (a) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;
- (b) we are the holder of all relevant licenses material to the operation of our business;
- (c) we have independent access to our users, customers and suppliers;
- (d) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;
- (e) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (f) none of our Controlling Shareholders or their respective associates have any interests in any business which competes or is likely to compete with the business of our Group.

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 their respective associates will be outstanding as of the Listing Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are of the view 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 their respective close associates after the Listing.

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 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, our Company has established a 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 Corporate Governance Committee are independent non-executive Directors with extensive experience in overseeing corporate governance related functions of private and Hong Kong listed companies. The primary duties of the 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 the weighted voting rights structure of the Company.

Under the Articles of Association, extraordinary general meetings of the Company may be convened and resolutions may be added to the meeting agenda 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 (on a one share one vote basis). 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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interest, the relevant Controlling Shareholders or associates will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders 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, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (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 advisors, the appointment of such independent professionals will be made at our Company's expense;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (g) we have appointed China Renaissance Securities (Hong Kong) Limited as our compliance advisor 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, Remuneration Committee, Nomination Committee and Corporate Governance Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. All of the members of our Audit Committee, including the chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

Upon Listing, transactions between members of our Group and our connected persons will constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

SUMMARY OF OUR CONNECTED PERSONS

The following table sets forth the connected persons of our Company involved in the continuing connected transactions upon Listing and the nature of their relationship with our Group.

<u>Connected Person</u>	<u>Connected Relationship</u>
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, which is one of our substantial shareholders.
Tencent Music Entertainment Technology (Shenzhen) Co., Ltd. (騰訊音樂娛樂科技(深圳)有限公司) (“ TME Shenzhen ”)	TME Shenzhen is a subsidiary of Tencent Music Entertainment Group (New York Stock Exchange stock symbol: TME) (“ TME Group ”). According to the 2020 Interim Report filed by Tencent on the Stock Exchange on August 26, 2020, TME Group is a subsidiary of Tencent. Tencent is one of our substantial shareholders. Therefore, TME Shenzhen is a connected person of our Company.
Beijing Sogou Technology Development Co., Ltd. (北京搜狗科技發展有限公司) (“ Beijing Sogou ”)	Beijing Sogou is a subsidiary of Sogou Inc. (New York Stock Exchange stock symbol: SOGO). According to the Form 20-F filed by Sogou Inc. with the United States Securities and Exchange Commission on April 21, 2020, as of March 31, 2020, Tencent indirectly held 39.2% of the total issued share capital of Sogou Inc., representing 52.3% of the total voting power of Sogou Inc. Tencent is one of our substantial shareholders. Therefore, Beijing Sogou is a connected person of our Company.

CONNECTED TRANSACTIONS

Connected Person	Connected Relationship
Guangzhou Huya Information Technology Co., Ltd. (廣州虎牙信息科技有限公司) (“ Guangzhou Huya ”)	Guangzhou Huya is a PRC variable interest entity of HUYA Inc. (New York Stock Exchange stock symbol: HUYA). According to the Form 20-F filed by HUYA Inc. with the United States Securities and Exchange Commission on April 27, 2020, as of April 3, 2020, Tencent indirectly held 36.9% of the total issued share capital of HUYA Inc., representing 50.9% of the aggregate voting power of HUYA Inc. Tencent is one of our substantial shareholders. Therefore, Guangzhou Huya is a connected person of our Company.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waivers sought	Proposed annual caps for the years ending December 31 (RMB in millions)		
			2021	2022	2023
<i>Non-exempt continuing connected transactions</i>					
1. Continuing Connected Transactions with Tencent Computer					
(1) Marketing and Promotion Services Framework Agreement	14A.35, 14A.36, 14A.53 and 14A.105	Announcement, circular and independent Shareholders’ approval requirements			
(a) <i>provision of marketing and promotion services by the Represented Tencent Group⁽¹⁾ to us</i>			4,102.2	4,707.1	5,403.2

Note:

- (1) The “Represented Tencent Group” refers to group members of Tencent, excluding China Literature Limited and its subsidiaries, and TME Group and its subsidiaries.

CONNECTED TRANSACTIONS

Nature of transactions	Applicable Listing Rules	Waivers sought	Proposed annual caps for the years ending December 31 (RMB in millions)		
			2021	2022	2023
(b) <i>provision of marketing and promotion services by us to the Represented Tencent Group</i>			740.2	962.2	1,250.9
(2) Cloud Services and Technical Services Framework Agreement	14A.35, 14A.36, 14A.53 and 14A.105	Announcement, circular and independent Shareholders' approval requirements	1,970.0	2,320.0	2,645.0
(3) Payment Services Framework Agreement	14A.35, 14A.36, 14A.53 and 14A.105	Announcement, circular and independent Shareholders' approval requirements	1,118.4	1,890.6	2,781.6
(4) Game Co-operation Framework Agreement	14A.35, 14A.36, 14A.49, 14A.53 to 59, 14A.71 and 14A.105	Announcement, circular, independent Shareholders' approval and annual caps	N/A	N/A	N/A
2. Contractual Arrangements					
Contractual Arrangements	14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59, 14A.71 and 14A.105	Announcement, circular, independent Shareholders' approval, annual caps and fixed term	N/A	N/A	N/A

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have also entered into the following types of transactions with our connected persons during the Track Record Period which will continue after Listing, including:

- (1) certain subsidiaries of Tencent: property leasing transactions, trademark licensing transactions and product licensing transactions;
- (2) Beijing Sogou: platform cooperation arrangement; and
- (3) Guangzhou Huya: advertising service transactions.

On March 27, 2019, Beijing Muyuan, a Consolidated Affiliated Entity of us, entered into a copyright licensing agreement with TME Shenzhen, pursuant to which Beijing Muyuan licenses the copyrights and related rights (namely recording and performance rights) of certain designated music to TME Shenzhen for its promotion, advertising and use of the licensed music on its platforms. The term of this licensing agreement is two years commencing from March 31, 2019 to March 30, 2021.

As the highest relevant percentage ratio in respect of the transactions above (including the transactions with the subsidiaries of Tencent, Beijing Sogou, Guangzhou Huya and TME Shenzhen) is expected to be, on an annual basis, less than 0.1% and the transactions are on normal commercial terms or better, pursuant to Rule 14A.76(1)(a) of the Listing Rules, these transactions will be fully-exempt continuing connected transactions, exempt from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions entered into between us and Tencent Computer, which are either (i) subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules; or (ii) subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

I. CONTINUING CONNECTED TRANSACTIONS WITH TENCENT COMPUTER

Continuing Connected Transactions subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements

1. Marketing and Promotion Services Framework Agreement

Parties

Beijing Dajia; and

Tencent Computer

Principal terms

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of our Group) entered into a marketing and promotion services framework agreement (the “**Marketing and Promotion Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group), pursuant to which:

- (a) the Represented Tencent Group will market and promote our products and services on its platforms (including but not limited to provision of advertisement services to products and services which we develop or operate, or over which we have copyrights or are lawfully authorized to operate, on the platforms of the Represented Tencent Group, and provision of advertisements of our platform and products on the relevant advertisement platforms of the Represented Tencent Group); and
- (b) we will provide marketing and promotion services to the Represented Tencent Group (including but not limited to provision of advertisement services to products and services which the Represented Tencent Group develops or operates, or over which the Represented Tencent Group has copyrights or is lawfully authorized to operate, on our platform).

CONNECTED TRANSACTIONS

In return for the marketing and promotion services provided by the Represented Tencent Group to us, we will pay service fees in one or more of the following manners, depending on the type of marketing and promotion services and the platforms of the Represented Tencent Group through which such services are provided:

- *Cost-Per-Click*: charged on the basis of the price of each click and the aggregate number of clicks of online users;
- *Cost-Per-Mille*: charged on the basis of the number of impressions (expressed in thousands) generated by online users;
- *Cost-Per-Time*: charged on the basis of length of duration of promotion services provided by the Represented Tencent Group;
- *Cost-Per-Activity*: charged on the basis of actual conversion indicators of our products, such as number of user registration, downloading, installment and activation;
- *Cost-Per-Sale*: charged on the basis of revenue generated from the users procured through the Represented Tencent Group; and
- *Cost-Per-Download*: charged on the basis of actual download volumes of our products.

In return for the marketing and promotion services provided by us to the Represented Tencent Group, the Represented Tencent Group will pay service fees in one or more of the following manners, depending on the type of our marketing and promotion services and the platforms through which such services are provided:

- *Cost-Per-Click*: charged on the basis of the price of each click and the aggregate number of clicks of online users;
- *Cost-Per-Mille*: charged on the basis of the number of advertisement impressions (expressed in thousands); and
- *Cost-Per-Time*: charged on the basis of length of duration of promotion services provided by us.

The initial term of the Marketing and Promotion Services Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules.

CONNECTED TRANSACTIONS

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 Marketing and Promotion Services Framework Agreement.

Reasons for the transactions

(a) Provision of marketing and promotion services by the Represented Tencent Group to us

Given the Represented Tencent Group is a leading player in China's internet, social network, media, games and entertainment industries with a large user base, the use of marketing and promotion services on its platforms would enable us to gain more popularity and reach more potential users, hence further enhancing our business growth. We believe that the marketing and promotion services provided by the Represented Tencent Group can help us continue growing our user base and increase the awareness of and familiarity with our products and services.

(b) Provision of marketing and promotion services by us to the Represented Tencent Group

Leveraging our large and engaged user community, and a deep and diverse pool of content, we can develop additional monetization opportunities by providing marketing and promotion services to the Represented Tencent Group.

Pricing policies

(a) Provision of marketing and promotion services by the Represented Tencent Group to us

Before entering into any specific marketing and promotion service agreement with the Represented Tencent Group pursuant to which the Represented Tencent Group will provide marketing and promotion services to us, 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 comparable marketing and promotion service providers who are independent third parties. In addition, we will take into account a number of factors, including but not limited to (i) the effectiveness of the marketing and promotion services provided by different online marketing and promotion service providers; (ii) the breadth of user base of various online marketing and promotion platforms; and (iii) the rates of marketing and promotion service fees. We will only enter into a marketing and promotion service 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.

CONNECTED TRANSACTIONS

(b) Provision of marketing and promotion services by us to the Represented Tencent Group

The service fees to be charged by us for provision of marketing and promotion services to the Represented Tencent Group will be determined by the prices of different online marketing resources, and with reference to the prevailing market rates. We will only enter into a marketing and promotion service 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 as compared to our provision of similar marketing and promotion 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 and proposed annual caps

The following table sets forth (a) the aggregate amounts of fees paid by us to the Represented Tencent Group and paid by the Represented Tencent Group to us for provision of marketing and promotion services during the Track Record Period; and (b) the proposed annual caps under the Marketing and Promotion Services Framework Agreement:

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
	<i>(RMB in millions)</i>			
Service fees paid by us to the Represented Tencent Group	0.1	29.3	10.3	143.3
Service fees paid by the Represented Tencent Group to us	—	11.4	302.6	479.1
	Year ending December 31,			
	2021	2022	2023	
	<i>(RMB in millions)</i>			
Proposed annual caps of service fees to be paid by us to the Represented Tencent Group	4,102.2	4,707.1	5,403.2	
Proposed annual caps of service fees to be paid by the Represented Tencent Group to us	740.2	962.2	1,250.9	

CONNECTED TRANSACTIONS

Basis of caps

(a) Provision of marketing and promotion services by the Represented Tencent Group to us

In view of the leading position of the Represented Tencent Group in China's internet, social network, media, games and entertainment industries, we have been historically cooperating with the Represented Tencent Group to leverage its platforms to market and promote our products and services and expect that the Represented Tencent Group will continue to be an important marketing and promotion service provider of us. When estimating the proposed annual caps, we have taken into account the following key factors:

- (i) the aforesaid historical amounts and the existing agreements between our Group and the Represented Tencent Group. During the Track Record Period, we incurred marketing and promotion service fees with the Represented Tencent Group as a result of our demand for marketing and promotion services from the Represented Tencent Group, as we continued to grow our business. The service fees paid by us to the Represented Tencent Group were RMB0.1 million, RMB29.3 million and RMB10.3 million in 2017, 2018 and 2019, respectively, and we incurred RMB143.3 million in the nine months ended September 30, 2020;
- (ii) during the Track Record Period, we entered into marketing and promotion agreements with (1) advertising platforms directly; and (2) advertising solution providers. Prior to entering into such agreements with advertising solution providers, we will inform the advertising solution providers of our budgets and expected advertising effects, based on which the solution providers will provide us with an advertising proposal, including their proposed advertising platforms (which may include the platform(s) of the Represented Tencent Group). The advertising solution providers will separately negotiate the price and other terms and conditions with the advertising platforms directly.

Under the model of entering into a marketing and promotion agreement with an advertising solution provider, considering that (1) we do not designate any advertising platform to the advertising solution provider, and it is up to the advertising solution provider to offer us with a proposal (including the proposed advertising platform(s)) based on our budget and expected advertising effects; (2) we do not participate in negotiations with the advertising platforms (which may include the platforms of the Represented Tencent Group) in respect of the price, terms and conditions. Instead, it is the advertising solution provider and the advertising platforms that directly negotiate with each other; and (3) we do not enter into any agreement with advertising platforms, we believe that such transactions are not connected transactions even if the advertising

CONNECTED TRANSACTIONS

platforms eventually selected by the advertising solution providers include the platform(s) of the Represented Tencent Group. As such, the historical amounts during the Track Record Period did not include marketing and promotion service fees paid by us to the advertising solution providers (even if the advertising platforms selected by the advertising solution providers includes the platform(s) of the Represented Tencent Group). The historical amounts during the Track Record Period only include the fees paid by us to the Represented Tencent Group in connection with the marketing and promotion agreements we directly entered into with the Represented Tencent Group.

The Represented Tencent Group has become an important marketing and promotion service provider to us. Starting in the second half of 2020, in respect of provision of marketing and promotion services by the Represented Tencent Group to us, we have gradually changed the model to direct execution of the relevant agreements with the Represented Tencent Group. Therefore, such transactions constitute connected transactions and we expect there will be a substantial increase in the annual caps in respect of the service fees to be paid by us to the Represented Tencent Group as compared to the historical transaction amounts; and

- (iii) The primary purpose of engaging a service provider to provide marketing and promotion services to the Group is to acquire and retain users, increase user engagement and enhance the brand image of our platform. When estimating the proposed annual caps, we also took into account (a) the expected growth of the Group's user base and user engagement; (b) the Group's expected investments in its selling and marketing efforts; and (c) the estimated portion of the marketing and promotion services to be provided by the Represented Tencent Group among all the marketing and promotion service providers to be engaged by the Group.

According to iResearch, short video users in China are expected to continue to grow at a fast pace primarily due to the suitability of short videos to address users' fragmented time. The average DAUs of short video platforms in China reached 495.7 million in 2019 and is expected to reach 899.9 million by 2025, growing at a CAGR of 10.4%, with average daily time spent per DAU increasing from 67.0 minutes in 2019 to 110.2 minutes in 2025, according to iResearch. Live streaming users in China are also expected to continue to grow at a fast pace due to the highly social, interactive and immersive nature of live streaming. The live streaming platform average DAUs in China reached 213.4 million in 2019 and is expected to reach 512.8 million by 2025, growing at a CAGR of 15.7%, with average daily time spent per DAU increasing from 33.2 minutes in 2019 to 51.9 minutes in 2025, according to iResearch.

CONNECTED TRANSACTIONS

Based on the above market trend and considering our market-leading position in both short video and live streaming, we expect to continue our selling and marketing efforts as we continue to grow our user base and user engagement, as well as enhance our brand awareness in the foreseeable future. As such, we expect that there will be an increase in the annual caps in respect of the marketing and promotion service fees to be paid by the Group to the Represented Tencent Group.

(b) Provision of marketing and promotion services by us to the Represented Tencent Group

When estimating the proposed annual caps in respect of fees to be paid by the Represented Tencent Group to us for our provision of marketing and promotion services, we have taken into account the following key factors:

- (i) the aforesaid historical amounts and the existing agreements between our Group and the Represented Tencent Group. During the Track Record Period, the service fees paid by the Represented Tencent Group to us increased from RMB11.4 million in 2018 to RMB302.6 million in 2019 and reached RMB479.1 million in the nine months ended September 30, 2020; and
- (ii) given the long term and stable relationship between us and the Represented Tencent Group, and considering our massive user base, we expect that the Represented Tencent Group may strengthen its products marketing efforts through our platform.

Listing Rules implications

In respect of the transactions under the Marketing and Promotion Services Framework Agreement, as the highest of all applicable percentage ratio for the three years ending December 31, 2021, 2022 and 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirements under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

CONNECTED TRANSACTIONS

2. Cloud Services and Technical Services Framework Agreement

Parties

Beijing Dajia; and

Tencent Computer

Principal terms

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of our Group) entered into a cloud services and technical services framework agreement (the “**Cloud Services and Technical Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group), pursuant to which 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.

The initial term of the Cloud Services and Technical Services Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules.

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 Cloud Services and Technical Services Framework Agreement.

Reasons for the transactions

There are limited choices of cloud service providers in the PRC, while the Represented Tencent Group is a leading integrated service provider for a wide range of cloud services and technical services in the PRC and is able to provide high quality, reliable and cost-efficient services. Leveraging on the cloud services provided, part of our servers have become cloud-based, allowing a higher degree of flexibility in managing the number of our servers on an as needed basis. Considering our business has undergone and is expected to undergo rapid growth, we believe that obtaining such services from an integrated service provider is a cost-effective alternative to building all supporting technology infrastructure internally. We therefore entered into the Cloud Services and Technical Services Framework Agreement to govern any cloud services and technical services to be provided by the Represented Tencent Group to us.

CONNECTED TRANSACTIONS

Pricing policies

Before entering into any cloud services and technical services agreement pursuant to the Cloud Services and Technical Services 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) the 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 and proposed annual caps

The following table sets forth (a) the aggregate amounts of fees relating to cloud services and technical services paid to the Represented Tencent Group by us during the Track Record Period; and (b) the proposed annual caps under the Cloud Services and Technical Services Framework Agreement:

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
	<i>(RMB in millions)</i>			
Service fees paid by us to the Represented Tencent Group	209.2	631.9	814.1	1,120.4
	Year ending December 31,			
	2021	2022	2023	
	<i>(RMB in millions)</i>			
Proposed annual caps of service fees to be paid by us to the Represented Tencent Group	1,970.0	2,320.0	2,645.0	

CONNECTED TRANSACTIONS

Basis of caps

When estimating the proposed annual caps, we have taken into account the following key factors:

- (i) the aforesaid historical transaction amounts and the existing agreements between our Group and the Represented Tencent Group. The service fees for cloud services and technical services paid by us to the Represented Tencent Group increased significantly during the Track Record Period from RMB209.2 million in 2017 to RMB631.9 million in 2018 and RMB814.1 million in 2019. We also incurred RMB1,120.4 million as service fees for cloud services and technical services to the Represented Tencent Group during the nine months ended September 30, 2020, and the increase in the service fees we incurred with the Represented Tencent Group was mainly due to the increase in our user traffic and the overall growth of our business; and
- (ii) as we expect growth in the number of our users, higher user engagement on our platform, continual development of our products and services and the corresponding demand for cloud services and technical services, the estimated amount of fees is expected to increase along with the overall growth of our business.

Listing Rules implications

In respect of the transactions under the Cloud Services and Technical Services Framework Agreement, as the highest of all applicable percentage ratio for the three years ending December 31, 2021, 2022 and 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to annual reporting requirements 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.

3. Payment Services Framework Agreement

Parties

Beijing Dajia; and

Tencent Computer

CONNECTED TRANSACTIONS

Principal terms

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of our Group) entered into a payment services framework agreement (the “**Payment Services Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group), pursuant to which the Represented Tencent Group will provide us with payment services through its payment channels to enable our users to conduct online transactions on our platform through Tencent payment channel. We shall in return pay payment processing costs to Tencent. The precise scope of services, charge rates, the applicable payment channel and other details of the arrangement shall be agreed between the relevant parties separately.

The initial term of the Payment Services Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules.

Separate underlying agreements will be entered into which will set out the charge rates, method of payment and other details of the service arrangement in the manner provided in the Payment Services Framework Agreement. The payment processing costs will be determined after arm’s length negotiation between the parties with reference to the market rates. The charge rates and calculation method shall be agreed between the parties separately.

Reasons for the transactions

Our users use online payment services mainly to settle their payments in connection with our live streaming and e-commerce businesses. There are limited choices of online payment channels in the PRC. Given that the Represented Tencent Group is a leading player in the PRC online payment service industry and many of our users use the online payment services provided by the Represented Tencent Group, such cooperation would enable us to provide our users with the best available payment methods and therefore enhance our users’ satisfaction with our services.

Pricing policies

Before entering into any payment service agreement pursuant to the Payment Services 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 comparable service providers who are independent third parties. In addition, we will take into account a number of factors, including but not limited to (i) the efficiency and prevalence of payment channels operated by different online payment service providers; (ii) our users’ preference among different online payment service providers; and (iii) the charge rates. We will only enter into a payment service agreement with the Represented Tencent Group if (i) the terms and conditions are

CONNECTED TRANSACTIONS

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 and proposed annual caps

The following table sets forth (a) the aggregate amounts of payment processing costs paid by us to the Represented Tencent Group during the Track Record Period; and (b) the proposed annual caps under the Payment Services Framework Agreement:

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
	<i>(RMB in millions)</i>			
Payment processing costs paid by us to the Represented Tencent Group . .	59.0	141.6	218.9	310.8
	Year ending December 31,			
	2021	2022	2023	
	<i>(RMB in millions)</i>			
Proposed annual caps of payment processing costs to be paid by us to the Represented Tencent Group	1,118.4	1,890.6	2,781.6	

Basis of caps

When estimating the proposed annual caps for the payment processing costs for the three years ending December 31, 2023, we have taken into account the following key factors:

- (i) the aforesaid historical transaction amounts and the existing agreements between our Group and the Represented Tencent Group. The payment processing costs paid by us to the Represented Tencent Group increased significantly during the Track Record Period from RMB59.0 million in 2017 to RMB141.6 million in 2018 and RMB218.9 million in 2019. We incurred RMB310.8 million payment processing costs with the Represented Tencent Group for the nine months ended September 30, 2020, largely attributable to the growth of our e-commerce business and the overall expansion of our live streaming business.

CONNECTED TRANSACTIONS

According to iResearch, live streaming e-commerce on short video and live streaming-based social platform is becoming more common and will occur in more diverse ways over time. According to iResearch, the GMV of live streaming e-commerce in China is expected to increase from RMB416.8 billion in 2019 to RMB6,417.2 billion in 2025, growing at a CARG of 57.7%, which represents 4.2% of China's retail e-commerce market in 2019, and is expected to reach 23.9% by 2025. As a leader in live streaming e-commerce in China, we plan to continue to grow our e-commerce business.

In addition, according to iResearch, live streaming virtual gifting revenue in China increased from RMB7.0 billion in 2015 to RMB140.0 billion in 2019, and is expected to reach RMB416.6 billion in 2025, growing at a CARG of 19.9%. Additionally, globally, we are the largest live streaming platform by gross billings from virtual gifting and average live streaming MPUs in the nine months ended September 30, 2020, according to iResearch.

Based on the above, considering the continual expansion of our e-commerce and live streaming businesses and the expected increase in revenue contribution from our e-commerce business, we expect that the payment processing costs to be paid by us to the Represented Tencent Group will continue to grow in the three years ending December 31, 2023;

- (ii) the transactions conducted by our users on our platform that are settled through third-party online payment channels primarily include live streaming virtual gifting and e-commerce. As disclosed above, according to iResearch, live streaming virtual gifting revenue and live streaming e-commerce GMV in China are expected to undergo a significant growth for the next couple of years. Considering the Group's market-leading position in live streaming and live streaming e-commerce, we expect that there will also be an increase of live streaming virtual gifting revenue and GMV of our live streaming e-commerce for the three years ending December 31, 2023, and an increase of the total transaction amount of our users on our platform to be settled through third-party online payment channels; and
- (iii) for the three years ended 2017, 2018, 2019 and the nine months ended September 30, 2020, the payment processing cost paid by the Group to the Represented Tencent Group as to the total payment processing cost incurred by the Group was 21.9%, 29.0%, 34.1% and 45.2%, respectively. Given the popularity of the online payment channel offered by the Represented Tencent Group, we expect that the online payment channel offered by the Represented Tencent Group will continue to be one of the most popular payment channels among our users, and the proportion of the payment processing cost payable by the Group to the Represented Tencent Group as to the total payment processing cost to be incurred by the Group for the next three years will remain relatively stable.

CONNECTED TRANSACTIONS

Listing Rules implications

In respect of the transactions under the Payment Services Framework Agreement, as the highest of all applicable percentage ratio for the three years ending December 31, 2021, 2022 and 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to annual reporting requirements 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.

4. Game Co-operation Framework Agreement

Parties

Beijing Dajia; and

Tencent Computer

Principal terms

On January 18, 2021, Beijing Dajia (for itself and on behalf of other members of our Group) entered into a game co-operation framework agreement (the “**Game Co-operation Framework Agreement**”) with Tencent Computer (for itself and on behalf of the Represented Tencent Group). Under the Game Co-operation Framework Agreement, we will display and recommend designated mobile and computer games developed or distributed by the Represented Tencent Group. Our users interested in such games appearing on our platform (the “**Interested Users**”) will be re-directed to downloading pages to download such games.

CONNECTED TRANSACTIONS

The revenue arising out of the Game Co-operation Framework Agreement shall be split between us and the Represented Tencent Group and shall be determined in accordance with the following formula:

Net proceeds x revenue sharing percentage

Net proceeds refers to the aggregate amount of revenue received by the Represented Tencent Group from such Interested Users through purchasing virtual items connected with the relevant games after deduction of the payment platform commissions charged by payment channels. The amount to be shared by us shall be separately determined for each designated game. The exact prescribed revenue sharing percentage for individual game shall be determined after arm's length negotiation between the relevant parties. The basis for determining the revenue sharing percentage includes (a) the revenue sharing percentage in respect of the game co-operation between our Group and business partners who are independent third parties of the Group; (b) the revenue sharing percentage in respect of the game co-operation between the Represented Tencent Group and its business partners; and (c) the general industry practice of revenue sharing in respect of game co-operation.

The initial term of the Game Co-operation Framework Agreement will commence on the Listing Date and end on December 31, 2023, subject to renewal upon the mutual agreement of both parties and in compliance with the Listing Rules. The collaboration outlined under the Game Co-operation Framework Agreement and the revenue sharing arrangement are in line with industry practice.

Reasons for the transactions

During the nine months ended September 30, 2020, the average DAUs on Kuaishou App reached 262.4 million. Our large user base, many of which are interested in game content, presents an opportunity for game developers and operators. The Represented Tencent Group is a leading developer and operator of quality mobile games in the PRC and overseas. Cooperation with the Represented Tencent Group to jointly operate mobile games on our platform leverages the competitive advantages of both our Group and the Represented Tencent Group and provides us with additional monetization opportunities.

Pricing policies

The revenue sharing proportion between the Represented Tencent Group and us will vary depending on the agreed prescribed percentage for each designated game, which will be determined between the relevant parties on an arm's length basis from time to time.

CONNECTED TRANSACTIONS

Historical amounts

We started game co-operation with the Represented Tencent Group in 2019. For the year ended December 31, 2019, our game co-operation with the Represented Tencent Group involved nine games and the revenue we generated was approximately RMB150 thousands. For the nine months ended September 30, 2020, our game co-operation with the Represented Tencent Group involved 44 games and the revenue we generated was approximately RMB3.4 million.

Annual caps

The sharing of revenue based on the formula provided under the Game Co-operation Framework Agreement (i.e. revenue split based on a prescribed ratio) is consistent with historical and the prevailing market practices in relation to online game co-operation arrangements with the Represented Tencent Group or independent third parties. The Company is of the view that it would be unsuitable to adopt monetary annual caps for the Game Co-operation Framework Agreement for the following reasons:

- (a) considering the recent commencement of the game co-operation and the lack of track record, it would be impracticable to estimate with any degree of certainty the amount of revenue which may be generated by these transactions as it will ultimately depend on (i) the number of games that the Represented Tencent Group will develop or distribute; and (ii) the Interested Users' spending on purchase of virtual items on the Represented Tencent Group's platform, which will ultimately depend on factors such as the acceptance and popularity of the designated games that are the subject matter of the Game Co-operation Framework Agreement. The aforesaid factors are beyond our control;
- (b) adoption of annual caps with fixed monetary amounts will render it unduly burdensome for us to comply with the disclosure, announcement, circular and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules whenever the revenue generated through the Game Co-operation Framework Agreement exceeds the estimated annual caps. As discussed above, the amount of revenue generated by the Group under the Game Co-operation Framework Agreement depends on the amount of spending of the Interested Users on purchase of virtual items and the popularity and acceptance of the designated items, which are factors beyond our control. As such, the Group is not able to meaningfully gauge its business volume for the transactions under the Game Co-operation Framework Agreement to set a monetary annual cap. Additionally, the Company is not able to monitor the actual transaction amount on a timely basis and take prompt and necessary measures in advance to prevent the excess of the actual transaction amount over the estimated annual cap; and

CONNECTED TRANSACTIONS

- (c) the current revenue split arrangement incentivizes the Group to leverage its quality resources to market and promote the designated games. The Company is of the view that the adoption of fixed monetary annual caps will impose an arbitrary ceiling on the revenue that we could derive from the Game Co-operation Agreement and defeats the purpose of adopting revenue sharing arrangement to incentivize the Group to market and promote the designated games.

Listing Rules implications

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual cap for the Game Co-operation Framework Agreement in terms of monetary value. Since the highest of all applicable percentage ratios in respect of the Game Co-operation Framework Agreement might be 5% or more, the Game Co-operation Framework Agreement will be subject to compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, reporting, annual review, announcement, circular and independent shareholders' approval requirement.

II. CONTRACTUAL ARRANGEMENTS

Background

Due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in the PRC. See "Contractual Arrangements" in this prospectus for further detailed terms of the Contractual Arrangements.

Listing Rules implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, including Mr. Su Hua and Mr. Cheng Yixiao, are connected persons of the Group.

Our Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. 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 any of our Consolidated Affiliated Entities and any member of our Group ("**New Intergroup Agreements**")

CONNECTED TRANSACTIONS

and each of them, a “**New Intergroup Agreement**”) technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rule 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14.35 of the Listing Rules and the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under the relevant continuing connected transactions agreements for the continuing connected transactions are fair and reasonable, and the transactions are carried out based on normal or no less favorable commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee is responsible for conducting reviews on compliance with relevant laws, regulations, our Company’s policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee, the Board and various other internal departments of the Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- the Audit Committee, the Board and various other internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the specific business agreements entered into under the framework agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 of the Listing Rules the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;

CONNECTED TRANSACTIONS

- when considering service fees for the services to be provided to the Group by the above connected persons or the service fees for the services to be provided by the Group to the above connected persons, the Group will regularly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and independent third parties for similar transactions, to make sure that the terms and conditions offered by/to the above connected persons from mutual commercial negotiations (as the case may be) are fair and reasonable and are based on normal or no less favorable commercial terms than those offered by/to other comparable independent third parties; and
- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Marketing and Promotion Services Framework Agreement, Cloud Services and Technical Services Framework Agreement and Payment Services Framework Agreement

In relation to each of (a) Marketing and Promotion Services Framework Agreement; (b) Cloud Services and Technical Services Framework Agreement; and (c) Payment Services Framework Agreement, since the highest applicable percentage ratios for the three years ending December 31, 2021, 2022 and 2023 calculated for the purpose of Chapter 14A of the Listing Rules are expected to exceed 5%, the transactions contemplated under these three framework agreements will, upon Listing, constitute continuing connected transactions of the Company subject to annual reporting requirements 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.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the

CONNECTED TRANSACTIONS

Listing Rules in respect of the transactions contemplated under these three framework agreements, provided that the total transaction amount for each of the three years ending December 31, 2021, 2022 and 2023 will not exceed the relevant proposed annual caps.

The Game Co-operation Framework Agreement

In relation to the Game Co-operation Framework Agreement, we have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the announcement requirements, the circular (including the opinion and recommendation from an independent financial advisor) requirements, the independent Shareholders' approval requirements, and the annual monetary cap requirements for the Game Co-operation Framework Agreement pursuant to Rule 14A.105 of the Listing Rules, within the term of the Game Co-operation Framework Agreement subject to the following conditions:

- (a) we will disclose in our subsequent annual and interim reports (i) a clear description of the bases for calculating the revenue derived from the Game Co-operation Framework Agreement; (ii) the number of underlying transactions under the Game Co-operation Framework Agreement; (iii) a summary of the transactions undertaken pursuant to the Game Co-operation Framework Agreement; and (iv) the actual transaction amounts of the Game Co-operation Framework Agreement;
- (b) our independent non-executive Directors will review the underlying transactions entered into pursuant to the Game Co-operation Framework Agreement on an annual basis and confirm in our annual reports the matters set out in Rule 14A.55 of the Listing Rules;
- (c) we will re-comply with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the Game Co-operation Framework Agreement (including any changes to the formula for determining how the revenue arising from the Game Co-operation Framework Agreement will be shared between the Group and the Represented Tencent Group);
- (d) we will engage an external auditor to report on, among other things, transactions contemplated in the Game Co-operation Framework Agreement pursuant to Rule 14A.56 of the Listing Rules;
- (e) we will ensure that the Game Co-operation Framework Agreement is undertaken in accordance with the terms of the Game Co-operation Framework Agreement and will comply with the terms of the Game Co-operation Framework Agreement and the Listing Rules requirements applicable to the Game Co-operation Framework Agreement to the extent not waived by the Stock Exchange;

CONNECTED TRANSACTIONS

- (f) we will disclose in the prospectus (i) the background of entering into the Game Co-operation Framework Agreement, (ii) the salient terms of the Game Co-operation Framework Agreement, (iii) the grounds of application for waivers set out in the final waiver application(s) submitted to the Stock Exchange, and (iv) our Directors' and the Joint Sponsors' views on the fairness and reasonableness of the Game Co-operation Framework Agreement as a whole;
- (g) we will implement internal procedures so as to ensure that the Game Co-operation Framework Agreement are undertaken in accordance with the terms and principles set out therein. We will also supervise the implementation of such internal procedures on a regular basis (e.g. holding regular meetings with the relevant internal departments to discuss issues relating to underlying transactions under the Game Co-operation Framework Agreement); and
- (h) to keep our Shareholders and public investors informed of the actual monetary annual transaction amount for the Game Co-operation Framework Agreement for a given financial year.

The Contractual Arrangements

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Class B Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to Beijing Dajia thereunder) will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval.

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. 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 (as set out in paragraph (e) below) will, however, continue to be applicable.

CONNECTED TRANSACTIONS

(c) Economic benefit 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 option (to the extent permitted under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (a) a nominal price or (b) the lowest price as permitted under applicable PRC laws, (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 Beijing Dajia by the Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreements, and (iii) our Group's right to control the management and operation of, as well as the substance of, all of the voting rights of the Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company 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.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual reports for the relevant years that (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

CONNECTED TRANSACTIONS

distributions have been made by the 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 during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company's auditor will carry out review procedures annually on the transactions, 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 received the approval of our Directors, 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, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and 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.
- Our Consolidated Affiliated Entities will undertake that, for so long as our Class B Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.
- In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreement, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from the Consolidated Affiliated Entities pursuant to any New Intergroup Agreement under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, but at the same time, the directors,

CONNECTED TRANSACTIONS

chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entities), and 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.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and the proposed monetary annual caps or alternative caps (as applicable) in respect of non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including the independent non-executive Directors) are of the view that the Game Co-operation Framework Agreement, notwithstanding that it has not adopted monetary annual caps, has been entered into in the ordinary and usual course of the Group's business, is on normal commercial terms, and is fair and reasonable and in the interests of our Company and its Shareholders as a whole.

Our Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions contemplated therein have been entered into and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Directors are of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Beijing Dajia; (ii) Beijing Dajia can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

CONNECTED TRANSACTIONS

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, and (ii) participated in the due diligence and discussion with the management of the Company. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions set out above (including the Game Co-operation Framework Agreement, notwithstanding that it has not adopted monetary annual caps) have been and will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed monetary annual caps or alternative caps (as applicable) of the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

The Joint Sponsors are also of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Beijing Dajia; (ii) Beijing Dajia can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Upon Listing, our Board will consist of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position(s)	Date of joining the Group	Date of appointment as a Director of the Company	Roles and responsibilities
Su Hua (宿華) . .	38	Co-founder, executive Director, Chairman of the Board, and Chief Executive Officer	November 2013	February 11, 2014	Primarily responsible for making strategic and pivotal decisions of the Group, including strategic direction, business management, innovation, technology, research and development, corporate culture, publicity, governmental affairs, finance, legal, commercialization, talent acquisition, overseas development, and strategic investments and acquisitions
Cheng Yixiao (程一笑)	37	Co-founder, executive Director, and Chief Product Officer	June 2011	February 11, 2014	Primarily responsible for all product-related matters of the Group, including developing new apps, product iterations, creating new app features and optimizing interface, and strategic investments and acquisitions; leading the Group's new business incubation and maintenance and development of the Group's ecosystem
Li Zhaohui (李朝暉)	45	Non-executive Director	March 2017	March 15, 2017	Providing professional advice to the Board

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining the Group	Date of appointment as a Director of the Company	Roles and responsibilities
Zhang Fei (張斐)	47	Non-executive Director	February 2014	February 11, 2014	Participating in the formulation of business plans and strategic and major decisions of the Group as a member of the Board
Shen Dou (沈抖)	41	Non-executive Director	April 2018	April 27, 2018	Participating in the formulation of business plans and strategic and major decisions of the Group as a member of the Board
Lin Frank (林欣禾) (alias Lin Frank Hurst).	56	Non-executive Director	May 2016	May 17, 2016	Participating in the formulation of business plans and strategic and major decisions of the Group as a member of the Board
Wang Huiwen (王慧文)	42	Independent non-executive Director	Listing Date*	Listing Date*	Supervising and providing independent judgement to the Board and serving as chairman and/or members of certain committees of the Board
Huang Sidney Xuande (黃宣德)	55	Independent non-executive Director	Listing Date*	Listing Date*	Supervising and providing independent judgement to the Board and serving as chairman and/or members of certain committees of the Board
Ma Yin (馬寅)	46	Independent non-executive Director	Listing Date*	Listing Date*	Supervising and providing independent judgement to the Board and serving as chairman and/or members of certain committees of the Board

Note: The appointment of Wang Huiwen, Huang Sidney Xuande and Ma Yin as our independent non-executive Directors will take effect on the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Su Hua (宿華先生)

Mr. Su Hua, aged 38, is our co-founder, executive Director, chairman of the Board and Chief Executive Officer. Mr. Su was appointed as a Director on February 11, 2014 and re-designated as an executive Director on November 5, 2020. Mr. Su is primarily responsible for making strategic and pivotal decisions of the Group, including strategic direction, business management, innovation, technology, research and development, corporate culture, publicity, governmental affairs, finance, legal, commercialization, talent acquisition, and overseas development. He has been actively involved in the Group's products and services, the maintenance and development of the Group's ecosystem and new business incubation. Mr. Su has also been responsible for strategic investments and acquisitions and actively involved in the Group's investment strategies, allowing the Group to forge close relationships with investee companies to create synergies across our ecosystem.

Prior to joining our Group, Mr. Su worked as an engineer at Google China from December 2006 to October 2008, and Baidu, Inc. (a company listed on Nasdaq with stock symbol of BIDU) from January 2010 to May 2011. In November 2013, Mr. Su joined our Group and has been serving as the Chief Executive Officer since then.

Mr. Su received his bachelor's degree in computer software from the School of Software, Tsinghua University in Beijing, the PRC, in July 2005.

Mr. Cheng Yixiao (程一笑先生)

Mr. Cheng Yixiao, aged 37, is our co-founder, executive Director and Chief Product Officer. Mr. Cheng was appointed as a Director on February 11, 2014 and re-designated as an executive Director on November 5, 2020. Mr. Cheng has been responsible for all product-related matters of the Group, including developing new apps, product iterations, creating new app features, and optimizing user interface. He has been leading the Group's new business incubation (such as e-commerce and online games) and maintenance and development of the Group's ecosystem and responsible for strategic investments and acquisitions. Mr. Cheng has also participated in formulating our strategic direction and business innovation, and introducing principles of sociology and economics to the design of our content recommendation algorithms.

Prior to founding our Group, Mr. Cheng was a software engineer and developer at Hewlett-Packard from August 2007 to July 2009, and worked at Renren Inc. (a company listed on the New York Stock Exchange with stock symbol of RENN) from September 2009 to February 2011. "GIF Kuaishou", our original mobile app for users to create and share animated images, was launched by Mr. Cheng in 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheng received his bachelor's degree in software engineering from the Software College of Northeastern University in Liaoning Province, the PRC, in July 2007.

Non-executive Directors

Mr. Li Zhaohui (李朝暉先生)

Mr. Li Zhaohui, aged 45, is a non-executive Director. He was appointed as a Director on March 15, 2017 and re-designated as a non-executive Director on November 5, 2020. As a non-executive Director, Mr. Li is primarily responsible for providing professional advice to the Board.

Mr. Li joined Tencent Holdings Ltd (a company listed on the Stock Exchange with stock code of 700) in 2011, and currently serves as the managing partner of Tencent Investment and the vice president of Tencent. He was an investment principal at Bertelsmann Asia Investment Fund from September 2008 to May 2010.

Mr. Li also holds directorships at various other companies. He has served as a director of Howbuy Wealth Management Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations with stock code of 834418) since December 2013. He has been a director of KE Holdings Inc. (a company listed on the New York Stock Exchange with stock symbol of BEKE) since December 2018. He has also been a director of Amer Sports Holding (Cayman) Limited (previously named Mascot JVCo (Cayman) Limited, which was delisted from Nasdaq Helsinki Stock Exchange on September 4, 2019) since April 2019.

Mr. Li received his bachelor's degree in economics (majoring in enterprise management) from Peking University in Beijing, the PRC, in July 1998 and his MBA degree from Duke University Fuqua School of Business in North Carolina, the United States, in May 2004.

Mr. Zhang Fei (張斐先生)

Mr. Zhang Fei, aged 47, is a non-executive Director. He was appointed as a Director on February 11, 2014 and re-designated as a non-executive Director on November 5, 2020. As a non-executive Director, Mr. Zhang, together with other members of the Board, provides oversight in respect of the formulation of business plans and strategic and major decisions of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang has over 20 years of venture capital experience, with a focus in the areas of AI/cloud computing, social/digital media and entertainment, and electric vehicle/autonomous driving. He was a partner at Ceyuan Ventures (策源创投) in Beijing from 2004 to 2007, where he set up and managed a venture fund and led investments in multiple portfolios. Since January 2011, Mr. Zhang was a partner of 5Y Capital (formerly known as Morningside Venture Capital). Around 2016, he founded and has been a fund manager and the Responsible Officer of Neumann Advisory Hong Kong Limited, a SFC Type 9 licensed corporation.

Mr. Zhang received his bachelor's degree of engineering in automation and control from the Shanghai Jiao Tong University in Shanghai, the PRC, in July 1994, and his MBA degree from the China Europe International Business School in Shanghai, the PRC, in May 1999.

Dr. Shen Dou (沈抖博士)

Dr. Shen Dou, aged 41, is a non-executive Director. He was appointed as a Director on April 27, 2018 and re-designated as a non-executive Director on November 5, 2020. As a non-executive Director, Dr. Shen is primarily responsible for participating in the formulation of business plans and strategic and major decisions of the Group as a member of the Board.

Dr. Shen has served as an executive vice president of Baidu, Inc. (a company listed on Nasdaq with stock symbol of BIDU) since May 2019. Dr. Shen has also been a director of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. (北京小度互娱科技有限公司) since January 2018, and the chairman of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. (北京小度互娱科技有限公司) since September 2020. Previously, Dr. Shen served as senior vice president of Baidu, Inc., overseeing the businesses related to Baidu App, Haokan short video app and Smart Mini Program. Dr. Shen joined Baidu in 2012 and has served in management roles in business lines, including web search, advertising display and the financial services group. Prior to joining Baidu, Dr. Shen worked in the adCenter group at Microsoft and co-founded BuzzLabs, Inc., a company engaged in social media monitoring and analysis, which was subsequently acquired by CityGrid Media.

Dr. Shen holds directorships at various other companies. Dr. Shen has been a director of Trip.com (a company listed on Nasdaq with stock symbol of TCOM) since October 2019 and a director of iQIYI, Inc. (a company listed on Nasdaq with stock symbol of IQ) since September 2019. He was previously a director of Uxin Limited (a company listed on Nasdaq with stock symbol of UXIN) from May 2018 to November 2019.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Shen received his bachelor's degree in information engineering (computer technology) from North China Electric Power University in Beijing, the PRC, in June 2001, a master's degree in computer science and technology from Tsinghua University in Beijing, the PRC, in July 2004, and a Ph.D. degree in computer science from the Hong Kong University of Science and Technology in Hong Kong in November 2007. Dr. Shen was awarded by Beijing Overseas Talent Service Joint Council (北京市海外學人工作聯席會) as “Beijing High-Caliber Talent from Overseas (北京市海外高層次人才)” and “Beijing Distinguished Expert (北京市特聘專家)” in July 2014. Dr. Shen was also acknowledged by Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) as a senior engineer (正高級工程師) in computer technology in May 2018.

Mr. Lin Frank (林欣禾先生) (*alias Lin Frank Hurst*)

Mr. Lin Frank, aged 56, is a non-executive Director. He was appointed as a Director on May 17, 2016 and re-designated as a non-executive Director on November 5, 2020. As a non-executive Director, Mr. Lin is primarily responsible for participating in the formulation of business plans and strategic and major decisions of the Group as a member of the Board.

Mr. Lin has been a co-founder and general partner of DCM China, a technology venture capital firm, since 2006. He co-founded and was the chief operations officer of SINA Corporation (a company listed on Nasdaq with stock symbol SINA), helping to guide it to become the first Chinese internet company to list in the United States.

Mr. Lin also holds directorships at various listed companies, including China Online Education Group (a company listed on the New York Stock Exchange with stock symbol COE) since June 2013, Vipshop Holdings Limited (a company listed on the New York Stock Exchange with stock symbol VIPS) since January 2011, and Tuniu Corporation (a company listed on Nasdaq with stock symbol TOUR) since December 2009. He was previously a director of 58.com Inc. (a company listed on the New York Stock Exchange with stock symbol WUBA and delisted on September 18, 2020) from March 2010 to April 2020.

Mr. Lin received his bachelor's degree in engineering from Dartmouth College in New Hampshire, the United States in June 1988, and his MBA degree from Stanford University in California, the United States, in June 1993.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Wang Huiwen (王慧文先生)

Mr. Wang Huiwen, aged 42, has been appointed as an independent non-executive Director of our Company and his appointment will take effect from the Listing Date. He is primarily responsible for supervising and providing independent judgement to the Board and serving as chairman and/or members of certain committees of the Board.

Mr. Wang has over 10 years of managerial and operational experience in the internet industry. In December 2005, he co-founded xiaonei.com. xiaonei.com was sold to China InterActive Corp in October 2006, which was later renamed as Renren Inc. (a company listed on the New York Stock Exchange with stock symbol of RENN). In January 2009, he co-founded taofang.com and worked there from June 2008 to October 2010. In 2010, Mr. Wang co-founded Meituan (a company listed on the Stock Exchange with stock code of 3690) and has been serving as its executive director since October 2015.

Mr. Wang received his bachelor's degree in electronic engineering from Tsinghua University in Beijing, the PRC, in July 2001.

Mr. Huang Sidney Xuande (黄宣德先生)

Mr. Huang Sidney Xuande, aged 55, has been appointed as an independent non-executive Director of our Company and his appointment will take effect from the Listing Date. He is primarily responsible for supervising and providing independent judgement to the Board and serving as chairman and/or members of certain committees of the Board.

Mr. Huang has over 15 years of experience in the technology and internet industry. He is currently a senior advisor of JD.com, Inc. (a company listed on Nasdaq with stock symbol of JD, and secondary listed on the Stock Exchange with stock code of 9618) and was its chief financial officer from September 2013 until his retirement in September 2020, including the last three months as an executive coach to his successor. He has been an independent director of Yatsen Holding Limited (a company listed on the New York Stock Exchange with stock symbol of YSG) since November 2020. Mr. Huang was a director of Bitauto Holdings Limited (a company which was listed on the New York Stock Exchange and privatized in November 2020) from November 2010 to August 2020.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang previously served as chief financial officer of VanceInfo Technologies Inc. and its successor company, Pactera Technology International Ltd., from July 2006 to September 2013. He was also the chief operating officer of VanceInfo Technologies Inc. from 2008 to 2010 and the co-president from 2011 to 2012. He also served as chief financial officer at two China-based companies in the technology and internet sectors between August 2004 and March 2006. He was an investment banker at Citigroup Global Markets Inc. in New York from August 2002 to July 2004. He held various positions including audit manager at KPMG LLP from January 1997 to August 2000 and qualified as a Certified Public Accountant in the State of New York in October 1999.

Mr. Huang received his bachelor's degree in accounting from Bernard M. Baruch College of The City University of New York in the United States, in February 1997, and his MBA degree from the J.L. Kellogg School of Management at Northwestern University in Illinois, the United States, in June 2002.

Mr. Ma Yin (馬寅先生)

Mr. Ma Yin, aged 46, has been appointed as an independent non-executive Director of our Company and his appointment will take effect from the Listing Date. He is primarily responsible for supervising and providing independent judgement to the Board and serving as chairman and/or members of certain committees of the Board.

Mr. Ma founded Tianxing Jiuzhou Holdings Co., Ltd. (天行九州控股有限公司, subsequently renamed Aranya (阿那亞控股集團有限公司)) in January 1999, and has been the general manager since February 2014. From April 2006 to September 2013, Mr. Ma served various managerial roles at Yeland Group Co, Ltd. (億城集團股份有限公司, subsequently renamed HNA Investment Group Co., Ltd. (海航投資集團股份有限公司) in 2015, and is a company listed on the Shenzhen Stock Exchange with stock code of 000616), including assistant to the general manager, vice president, and executive vice president. He was a director of HNA Investment Group Co., Ltd. (海航投資集團股份有限公司) from April 2007 to September 2013 and the president from October 2011 to September 2013.

Mr. Ma received his executive MBA degree from Peking University in Beijing, the PRC, in July 2009.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about members of the senior management of the Company:

Name	Age	Position(s)	Date of joining the Group	Roles and responsibilities
Su Hua (宿華)	38	Co-founder, executive Director, Chairman of the Board, and Chief Executive Officer	November 2013	Primarily responsible for making strategic and pivotal decisions of the Group, including strategic direction, business management, innovation, technology, research and development, corporate culture, publicity, governmental affairs, finance, legal, commercialization, talent acquisition, overseas development, and strategic investments and acquisitions
Cheng Yixiao (程一笑)	37	Co-founder, executive Director, and Chief Product Officer	June 2011	Primarily responsible for all product-related matters of the Group, including developing new apps, product iterations, creating new app features and optimizing interface, and strategic investments and acquisitions; leading the Group's new business incubation and maintenance and development of the Group's ecosystem
Chong Nicholas Yik Kay (鍾奕祺)	53	Chief Financial Officer	November 2016	Responsible for overall finance (accounting, financial management, etc.), legal, audit and internal controls, and capital market activities of our Group
Chen Dingjia (陳定佳)	39	Chief Technology Officer	November 2015	Responsible for technology development, product testing, operation maintenance, and certain new businesses of our Group

DIRECTORS AND SENIOR MANAGEMENT

Mr. Su Hua (宿華先生)

Mr. Su Hua, aged 38, is our co-founder, executive Director, chairman of the Board and Chief Executive Officer. For further details, see “— Directors and Senior Management — Executive Directors” in this section.

Mr. Cheng Yixiao (程一笑先生)

Mr. Cheng Yixiao, aged 37, is our co-founder, executive Director and Chief Product Officer. For further details, see “— Directors and Senior Management — Executive Directors” in this section.

Mr. Chong Nicholas Yik Kay (鍾奕祺先生)

Mr. Chong Nicholas Yik Kay, aged 53, is our Chief Financial Officer. He is primarily responsible for overall finance (accounting, financial management, etc.), legal, audit and internal controls, and capital market activities of our Group. Mr. Chong joined our Group in November 2016 and has been serving as the Chief Financial Officer since then.

Mr. Chong worked in Procter & Gamble Singapore from May 1991 to July 1997 and worked in Procter & Gamble China from August 1997 to October 2001, serving various roles including customer business development finance head. Mr. Chong successively served the roles of finance director, regional finance director and finance executive director of Dell China from October 2001 to January 2009. Mr. Chong was an executive board director and chief financial officer of Li Ning Company Limited (a company listed on the Stock Exchange with stock code of 2331) from February 2009 to October 2012. Mr. Chong worked at Autohome Inc. (a company listed on the New York Stock Exchange with stock symbol of ATHM) from September 2013 to September 2016, first as its co-chief financial officer, and later served as the chief financial officer from February 2014 to September 2016.

Mr. Chong received his bachelor’s degree of arts from the National University of Singapore in Singapore in July 1991.

Mr. Chen Dingjia (陳定佳先生)

Mr. Chen Dingjia, aged 39, is our Chief Technology Officer. He is primarily responsible for technology development, product testing, operation maintenance, and certain new businesses of our Group. Mr. Chen joined our Group in November 2015 and has been serving as the Chief Technology Officer since then.

DIRECTORS AND SENIOR MANAGEMENT

Before joining our Group, Mr. Chen worked at Tencent Technology (Shenzhen) Co., Ltd. from July 2005 to January 2015, and Guangzhou Tencent Technology Co., Ltd. from February 2015 to October 2015, where he served various roles including group leader, chief leader and assistant general manager.

Mr. Chen received his bachelor's degree in computer software from the School of Software, Tsinghua University in Beijing, the PRC, in July 2005.

Save as disclosed above, (1) none of the Directors had held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date; (2) 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 (3) there is no other matter that needs to be brought to the attention of the Shareholders.

JOINT COMPANY SECRETARIES

Mr. Jia Hongyi (賈弘毅先生)

Mr. Jia Hongyi has been appointed as our joint company secretary with effect from September 2020. Mr. Jia joined our Group in December 2016 as our Group's senior director of legal affairs.

Mr. Jia has over 10 years of legal experience. Prior to joining our Group, Mr. Jia worked in the legal department of Phoenix Online (Beijing) Information Technology. Co., Ltd. (鳳凰在線(北京)信息技術有限公司) from July 2011 to March 2014. He later served as the legal director of Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司) (a company listed on the Stock Exchange with stock code of 1588) from April 2014 to March 2016.

Mr. Jia received his bachelor's degree in law from the Jilin University in Jilin Province, the PRC, in July 2005, and his master's degree in law from the Ludwig-Maximilians-Universität München in Germany in June 2010.

Ms. So Ka Man (蘇嘉敏女士)

Ms. So Ka Man has been appointed as our joint company secretary with effect from the Listing Date. Ms. So is a director of Corporate Services of Tricor Services Limited. Ms. So has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

DIRECTORS AND SENIOR MANAGEMENT

Ms. So is currently the company secretary/joint company secretary of six listed companies on The Stock Exchange of Hong Kong Limited, namely, Xiaomi Corporation (a company listed on the Stock Exchange with stock code of 1810), Embry Holdings Limited (a company listed on the Stock Exchange with stock code of 1388), CAR Inc. (a company listed on the Stock Exchange with stock code of 699), China Logistics Property Holdings Co., Ltd (a company listed on the Stock Exchange with stock code of 1589), China Yongda Automobiles Services Holdings Limited (a company listed on the Stock Exchange with stock code of 3669) and Maoye International Holdings Limited (a company listed on the Stock Exchange with stock code of 848).

Ms. So is a chartered secretary, a chartered governance professional and a fellow of both The Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Chartered Governance Institute (CGI) (formerly “The Institute of Chartered Secretaries and Administrators”). She is a holder of the Practitioner’s Endorsement from HKICS. Ms. So obtained her bachelor’s degree of arts in accountancy from the Hong Kong Polytechnic University in Hong Kong in November 1996.

DIRECTORS’ REMUNERATION

For details of the service contracts and appointment letters that we have entered into with our Directors, see “Statutory and General Information — 3. Further Information about our Directors and Substantial Shareholders — 3.3 Directors’ service contracts and appointment letter” in Appendix V to this prospectus.

The remuneration of our Directors is paid in the form of salaries, allowances, benefits in kind, pension scheme contributions and share-based payments. The aggregate amount of remuneration (including wages, salaries, bonuses, pension costs, other employee benefits, and share-based compensation expenses) for our Directors for the years ended December 31, 2017, 2018 and 2019, and for the nine months ended September 30, 2020 were approximately RMB15,305,000, RMB8,997,000, RMB7,621,000 and RMB5,666,000, respectively.

None of the five individuals whose emoluments were the highest in the Group for each of the Track Record Period were directors of the Group. The aggregate amount of remuneration (including wages, salaries, bonuses, pension costs, other employee benefits, and share-based compensation expenses) payable to these five individuals for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 were RMB153,488,000, RMB182,081,000, RMB103,814,000 and RMB125,521,000, respectively.

Further information on the remuneration of each Director and the five highest paid individuals during the Track Record Period is set out in the Accountant’s Report in Appendix I to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Dr. Shen Dou is currently the chairman and director of Beijing Xiaodu Interactive Entertainment Technology Co., Ltd. (北京小度互娱科技有限公司), the business of which involves operations of a short video app.

Save as disclosed above, each of our executive and non-executive Directors confirms that as of the Latest Practicable Date, he did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

The Company has established the Audit Committee, the Remuneration Committee, the Nomination Committee and Corporate Governance Committee in compliance with the Listing Rules. These committees operate in accordance with their respective terms of reference established by our Board.

Audit Committee

We have established the Audit Committee in compliance with Rule 3.21 of the Listing Rules (with effect from the Listing) and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

The primary duties of the Audit Committee are to review and supervise our financial reporting progress and the internal control system of our Group, review and approve connected transactions, manage risk, perform internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board. The Audit Committee consists of three members, namely Huang Sidney Xuande, Wang Huiwen and Ma Yin. The

DIRECTORS AND SENIOR MANAGEMENT

chairman of the Audit Committee is Huang Sidney Xuande, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules (with effect from the Listing) and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Remuneration Committee are to establish, review and provide advice to our Board on the structure of remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning remuneration, determine the terms of the specific remuneration package for each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time. The Remuneration Committee comprises five members, namely Huang Sidney Xuande, Su Hua, Wang Huiwen, Ma Yin and Li Zhaohui. The chairman of the Remuneration Committee is Huang Sidney Xuande.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (with effect from the Listing). The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; identify, select and make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors. The Nomination Committee comprises five members, namely Wang Huiwen, Cheng Yixiao, Ma Yin, Zhang Fei and Huang Sidney Xuande. The chairman of the Nomination Committee is Wang Huiwen.

Corporate Governance Committee

We have established a Corporate Governance Committee in compliance with Chapter 8A of the Listing Rules (with effect from the Listing). The primary duties of the 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 the weighted voting rights structures of the Company.

DIRECTORS AND SENIOR MANAGEMENT

The Corporate Governance Committee comprises three independent non-executive Directors, namely Wang Huiwen, Huang Sidney Xuande and Ma Yin. Wang Huiwen is the chairman of the Corporate Governance Committee. For details of their experience in corporate governance related matters, see the biographies of our independent non-executive Directors in “— Directors and Senior Management — Independent Non-Executive Directors” above.

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 work of our 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;
- (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;

DIRECTORS AND SENIOR MANAGEMENT

- (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) 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;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the Audit, Remuneration, Nomination and Corporate Governance Committees, if invited;
- (d) scrutinizing our Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;

DIRECTORS AND SENIOR MANAGEMENT

- (e) giving 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) making a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- (g) attending 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 chairman 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. Su Hua currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the 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 at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

COMPLIANCE ADVISOR

We have appointed China Renaissance Securities (Hong Kong) Limited as the compliance advisor (the “**Compliance Advisor**”) pursuant to Rule 8A.33 of the Listing Rules. The Compliance Advisor 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 Advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;

DIRECTORS AND SENIOR MANAGEMENT

- (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 Advisor 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.

BOARD DIVERSITY POLICY

The Board will adopt a board diversity policy (the “**Board Diversity Policy**”) prior to the Listing in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Company recognizes and embraces the benefits of having a diverse Board. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

DIRECTORS AND SENIOR MANAGEMENT

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, finance and accounting, internet and technology, research and development, and investment. They obtained degrees in various majors including computer software, engineering, automatic control, management, and accounting. Furthermore, our Board has a relatively wide range of ages, ranging from 37 years old to 56 years old. The Board of Directors is of the view that our Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of the Board. Upon the Listing, the Nomination Committee will from time to time review the Board Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, our Company will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board. We plan to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. We are of the view that such strategy will offer chances for our Board to identify capable female employees to be nominated as a member of the Board in future with an aim to providing our Board with a pipeline of female candidates to achieve gender diversity in our Board in the long run. The Nomination Committee will use its best endeavors and on suitable basis, within three years after the Listing, to identify and recommend at least one female candidate to our Board for its consideration on appointment of a Director with the goal to have at least one female Director in our Board, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidate based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of our Company and our Shareholders as a whole when considering the appointment. We believe that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and upon the completion of the Global Offering, assuming that (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) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, (iv) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme; (v) each Ordinary Share held by Reach Best and Ke Yong is converted into one Class A Share of US\$0.0000053; (vi) each Ordinary Share held by Shareholders other than Reach Best and Ke Yong, and each Preferred Share is converted into one Class B Share of US\$0.0000053 each; and (vii) no Class A Shares are converted to Class B Shares.

1. Share capital at the date of this prospectus

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares (US\$)
6,984,805,185	Ordinary Shares of US\$0.0000053 par value each	37,019.47
356,224,601	Series A Preferred Shares of US\$0.0000053 par value each	1,887.99
474,997,455	Series B Preferred Shares of US\$0.0000053 par value each	2,517.49
6,416,275	Series B-1 Preferred Shares of US\$0.0000053 par value each	34.01
282,319,024	Series C Preferred Shares of US\$0.0000053 par value each	1,496.29
42,728,141	Series C-1 Preferred Shares of US\$0.0000053 par value each	226.46
186,068,877	Series D Preferred Shares of US\$0.0000053 par value each	986.17
407,236,905	Series D-1 Preferred Shares of US\$0.0000053 par value each	2,158.36
200,120,473	Series E Preferred Shares of US\$0.0000053 par value each	1,060.64
34,306,363	Series E-1 Preferred Shares of US\$0.0000053 par value each	181.82
104,576,622	Series F-1 Preferred Shares of US\$0.0000053 par value each	554.26
354,162,343	Series F-2 Preferred Shares of US\$0.0000053 par value each	1,877.06
<u>9,433,962,264</u>	Total	<u>50,000.00</u>

SHARE CAPITAL

(ii) Issued, fully paid or credited to be fully paid

Number	Description of Shares	Approximate aggregate nominal value of shares (US\$)
930,672,259	Ordinary Shares of US\$0.0000053 par value each in issue	4,932.56
356,224,601	Series A Preferred Shares of US\$0.0000053 par value each in issue	1,887.99
474,997,455	Series B Preferred Shares of US\$0.0000053 par value each in issue	2,517.49
6,416,275	Series B-1 Preferred Shares of US\$0.0000053 par value each in issue	34.01
282,319,024	Series C Preferred Shares of US\$0.0000053 par value each in issue	1,496.29
42,728,141	Series C-1 Preferred Shares of US\$0.0000053 par value each in issue	226.46
186,068,877	Series D Preferred Shares of US\$0.0000053 par value each in issue	986.17
407,236,905	Series D-1 Preferred Shares of US\$0.0000053 par value each in issue	2,158.36
200,120,473	Series E Preferred Shares of US\$0.0000053 par value each in issue	1,060.64
34,306,363	Series E-1 Preferred Shares of US\$0.0000053 par value each in issue	181.82
104,576,622	Series F-1 Preferred Shares of US\$0.0000053 par value each in issue	554.26
354,162,343	Series F-2 Preferred Shares of US\$0.0000053 par value each in issue	1,877.06
3,379,829,338	Total	17,913.10

SHARE CAPITAL

2. Share capital immediately following the completion of the Global Offering

(i) *Authorized share capital*

Number	Description of Shares	Approximate aggregate nominal value of shares (US\$)
766,237,001	Class A Shares of US\$0.0000053 par value each	4,061.06
8,667,725,263	Class B Shares of US\$0.0000053 par value each	45,938.94
<u>9,433,962,264</u>	Total	<u>50,000.00</u>

(ii) *Issued and to be issued, fully paid or credited to be fully paid (assuming the Over-allotment Option is not exercised)*

Number	Description of Shares	Approximate aggregate nominal value of shares (US\$)
766,237,001	Class A Shares of US\$0.0000053 each in issue	4,061.06
2,613,592,337	Class B Shares of US\$0.0000053 each in issue	13,852.04
363,146,799	Class B Shares of US\$0.0000053 each to be issued pursuant to the exercised options under the Pre-IPO ESOP	1,924.68
365,218,600	Class B Shares of US\$0.0000053 each to be issued pursuant to the Global Offering	1,935.66
<u>4,108,194,737</u>	Total	<u>21,773.43</u>

SHARE CAPITAL

(iii) Issued and to be issued, fully paid or credited to be fully paid (assuming the Over-allotment Option is fully exercised)

Number	Description of Shares	Approximate aggregate nominal value of shares (US\$)
766,237,001	Class A Shares of US\$0.0000053 each in issue	4,061.06
2,613,592,337	Class B Shares of US\$0.0000053 each in issue	13,852.04
363,146,799	Class B Shares of US\$0.0000053 each to be issued pursuant to the exercised options under the Pre-IPO ESOP	1,924.68
365,218,600	Class B Shares of US\$0.0000053 each to be issued pursuant to the Global Offering	1,935.66
50,737,300	Class B Shares of US\$0.0000053 each to be issued pursuant to the Over-allotment Option (excluding the 4,045,400 Class B Shares which the Option Grantors may be required to sell)	268.91
4,158,932,037	Total	22,042.34

The tables above do not take into account any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors referred to below.

WEIGHTED VOTING RIGHTS STRUCTURE

The Company is proposing to adopt a WVR Structure effective immediately upon the completion of the Global Offering. Under this structure the Company's share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise 10 votes, and each Class B Share will entitle the holder to exercise one vote, respectively, 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.

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 B Shares, holding not less than one-tenth of the paid up capital of the Company that carries the right of voting at general meetings (on a one share one vote basis) are entitled to convene an extraordinary general meeting of the Company and add resolutions to the meeting agenda.

See “Summary of the Constitution of our Company and Cayman Companies Act — 2. Articles of Association” in Appendix IV to this prospectus for further details.

The following table sets out the ownership and voting rights to be held by the WVR Beneficiaries upon the completion of the Global Offering:

	<u>Number of Shares</u>	<u>Approximate percentage of issued share capital ⁽¹⁾</u>	<u>Approximate percentage of voting rights⁽¹⁾⁽²⁾</u>
Class A Shares held by the WVR			
Beneficiaries	766,237,001	18.65%	69.63%
Class B Shares held by the WVR			
Beneficiaries	102,530,056	2.50%	0.93%

Notes:

- (1) Assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme;
- (2) On the basis that Class A Shares entitle the Shareholder to 10 votes per share and Class B Shares entitle the Shareholder to one vote per share.

SHARE CAPITAL

Class A Shares may be converted into Class B Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue 766,237,001 Class B Shares, representing approximately 18.65% of the total number of issued and outstanding Class B Shares (assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme).

The weighted voting rights attached to our Class A Shares will cease when none of the WVR Beneficiaries have beneficial ownership of any of our Class A 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 both WVR Beneficiaries are: (1) deceased; (2) no longer members of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as directors; or (4) deemed by the Stock Exchange to no longer meet the requirements of directors set out in the Listing Rules;
- (ii) when the holders of Class A Shares have transferred to other persons the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Listing Rule 8A.18;
- (iii) where the vehicles holding Class A Shares on behalf of both WVR Beneficiaries no longer comply with Listing Rule 8A.18(2); or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

WVR Beneficiaries

Immediately upon the completion of the Global Offering, the WVR Beneficiaries will be Mr. Su Hua and Mr. Cheng Yixiao. Assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme:

- Mr. Su Hua will beneficially own 427,469,521 Class A Shares and 56,961,183 Class B Shares, representing approximately 39.36% of the voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters.

SHARE CAPITAL

The Class A Shares beneficially owned by Mr. Su Hua are held by Reach Best, a company wholly owned by a trust established by Mr. Su Hua (as settlor) for the benefit of Mr. Su Hua and his family.

- Mr. Cheng Yixiao will beneficially own 338,767,480 Class A Shares and 45,568,873 Class B Shares, representing approximately 31.20% of the voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Mr. Cheng Yixiao are held by Ke Yong, a company wholly owned by a trust established by Mr. Cheng Yixiao (as settlor) for the benefit of Mr. Cheng Yixiao and his family.

Assuming (i) the Over-allotment Option is fully exercised, pursuant to which the Option Grantors may be required to sell up to an aggregate of 4,045,400 Class B Shares (among which Reach Best may be required to sell up to 2,247,400 Class B Shares, Ke Yong may be required to sell up to 1,798,000 Class B Shares) and the Company may be required to issue up to 50,737,300 new Class B Shares, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme:

- Mr. Su Hua will beneficially own 427,469,521 Class A Shares and 54,713,783 Class B Shares, representing approximately 39.16% of the voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Mr. Su Hua are held by Reach Best, a company wholly owned by a trust established by Mr. Su Hua (as settlor) for the benefit of Mr. Su Hua and his family.
- Mr. Cheng Yixiao will beneficially own 338,767,480 Class A Shares and 43,770,873 Class B Shares, representing approximately 31.04% of the voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters. The Class A Shares beneficially owned by Mr. Cheng Yixiao are held by Ke Yong, a company wholly owned by a trust established by Mr. Cheng Yixiao (as settlor) for the benefit of Mr. Cheng Yixiao and his family.

The Company is adopting the WVR Structure to enable the WVR Beneficiaries to exercise voting control over the Company notwithstanding the WVR Beneficiaries do 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 Beneficiaries who will control the Company with a view to its long-term prospects and strategy.

SHARE CAPITAL

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 Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries 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, see "Risk Factors — Risks Related to the WVR Structure — Our proposed dual-class structure with voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Shares may view as beneficial."

Save for the weighted voting rights attached to Class A 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 Shares and Class B Shares, see "Summary of the Constitution of our Company and Cayman Companies Act — 2. Articles of Association" in Appendix IV to this prospectus for further details.

Undertakings by the WVR Beneficiaries

Pursuant to Rule 8A.43 of the Listing Rules, each 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 December 4, 2020, each of Mr. Su Hua and Mr. Cheng Yixiao 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. Each WVR Beneficiary acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their shares. Each 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 with respect to a WVR Beneficiary 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 such 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 such 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 B Shares currently in issue 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.

ALTERATIONS OF CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See “Summary of the Constitution of our Company and Cayman Companies Act — 2.5 Alteration of Capital” in Appendix IV to this prospectus for further details.

SHARE CAPITAL

SHARE INCENTIVE SCHEMES

The Company has adopted the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme. See “Statutory and General Information — 4. Pre-IPO ESOP”, “Statutory and General Information — 5. Post-IPO Share Option Scheme” and “Statutory and General Information — 6. Post-IPO RSU Scheme” in Appendix V to this prospectus for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate, to allot, issue and deal with Class B Shares with a total nominal value of not more than the sum of:

- 20% the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding (i) the additional Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option; (ii) the Class B Shares to be issued pursuant to the unexercised options and RSUs granted under the Pre-IPO ESOP; (iii) the Class B Shares which may be issued pursuant to the Post-IPO Share Option Scheme and Post-IPO RSU Scheme; and (iv) the Class B Shares that are issuable upon conversion of the Class A Shares on a one to one basis); and
- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed “— General Mandate to Repurchase Shares” in this section.

This general mandate to issue Class B Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

SHARE CAPITAL

See “Statutory and General Information — 1. Further Information about our Group — 1.4 Resolutions passed in the meeting of our Shareholders dated January 18, 2021” in Appendix V to this prospectus for further details of the general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate, to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding (i) the additional Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option; (ii) the Class B Shares to be issued pursuant to the unexercised options and RSUs granted under the Pre-IPO ESOP; (iii) the Class B Shares which may be issued pursuant to the Post-IPO Share Option Scheme and Post-IPO RSU Scheme; and (iv) the Class B Shares that are issuable upon conversion of the Class A Shares on a one to one basis).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information — 1. Further Information about our Group — 1.5 Repurchase of our Own Securities” in Appendix V to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information — 1. Further Information about our Group — 1.5 Repurchase of our own securities” in Appendix V to this prospectus for further details of the repurchase mandate.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme, and (iv) each Ordinary Share held by Reach Best and Ke Yong will automatically convert into one Class A Share of US\$0.0000053 each, and each Ordinary Share held by all other Shareholders and each Preferred Share will automatically convert into one Class B Share of US\$0.0000053 each, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company that (i) 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, (ii) 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 and class of shares held ⁽¹⁾	Approximate percentage of shareholding of each class of shares in our Company ⁽¹⁾	Approximate percentage of shareholding in the issued and outstanding share capital of our Company ⁽¹⁾
<i>Class A Shares — Su Hua</i>				
Reach Best ⁽²⁾	Beneficial interest	427,469,521 Class A Shares	55.79%	10.41%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽²⁾	427,469,521 Class A Shares	55.79%	10.41%
Mr. Su Hua	Beneficiary of a trust ⁽²⁾ Founder of a trust ⁽²⁾	427,469,521 Class A Shares	55.79%	10.41%
<i>Class A Shares — Cheng Yixiao</i>				
Ke Yong ⁽³⁾	Beneficial interest	338,767,480 Class A Shares	44.21%	8.25%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾	338,767,480 Class A Shares	44.21%	8.25%
Mr. Cheng Yixiao	Beneficiary of a trust ⁽³⁾ Founder of a trust ⁽³⁾	338,767,480 Class A Shares	44.21%	8.25%

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/ Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding of each class of shares in our Company ⁽¹⁾	Approximate percentage of shareholding in the issued and outstanding share capital of our Company ⁽¹⁾
<i>Class B Shares — Tencent Shareholders</i>				
Tencent Mobility Limited ⁽⁴⁾	Beneficial interest	506,143,854 Class B Shares	15.15%	12.32%
Morespark Limited ⁽⁴⁾	Beneficial interest	53,619,657 Class B Shares	1.60%	1.31%
Parallel Nebula Investment Limited ⁽⁴⁾	Beneficial interest	83,127,760 Class B Shares	2.49%	2.02%
Image Frame Investment (HK) Limited ⁽⁴⁾	Beneficial interest	80,048,189 Class B Shares	2.40%	1.95%
TPP Follow-on I Holding F Limited ⁽⁴⁾	Beneficial interest	6,003,614 Class B Shares	0.18%	0.15%
<i>Class B Shares — 5Y Capital Shareholders</i>				
Morningside China TMT Fund II, L.P. ⁽⁵⁾	Beneficial interest	496,055,854 Class B Shares	14.84%	12.07%
Morningside China TMT Special Opportunity Fund, L.P. ⁽⁵⁾	Beneficial interest	31,803,262 Class B Shares	0.95%	0.77%
Morningside China TMT Fund III Co-investment, L.P. ⁽⁵⁾	Beneficial interest	3,102,799 Class B Shares	0.09%	0.08%
MSVC SPF II, L.P. ⁽⁵⁾	Beneficial interest	32,019,276 Class B Shares	0.96%	0.78%
<i>Class B Shares — DCM Shareholders</i>				
DCM Ventures China Fund (DCM VII), L.P. ⁽⁶⁾	Beneficial interest	267,122,492 Class B Shares	7.99%	6.50%
DCM Ventures China Turbo Fund, L.P. ⁽⁶⁾	Beneficial interest	15,936,122 Class B Shares	0.48%	0.39%
DCM Ventures China Turbo Affiliates Fund, L.P. ⁽⁶⁾	Beneficial interest	937,376 Class B Shares	0.03%	0.02%
DCM VII, L.P. ⁽⁶⁾	Beneficial interest	25,736,077 Class B Shares	0.77%	0.63%

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/ Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding of each class of shares in our Company ⁽¹⁾	Approximate percentage of shareholding in the issued and outstanding share capital of our Company ⁽¹⁾
A-Fund, L.P. ⁽⁶⁾	Beneficial interest	2,326,187 Class B Shares	0.07%	0.06%
<i>Class B Shares — DST Shareholders</i>				
DST Asia IV ⁽⁷⁾	Beneficial interest	205,322,875 Class B Shares	6.14%	5.00%
DST Global V, L.P. ⁽⁷⁾ . . .	Beneficial interest	12,007,228 Class B Shares	0.36%	0.29%
<i>Class B Shares — Su Hua</i>				
Reach Best ⁽²⁾	Beneficial interest	56,961,183 Class B Shares	1.70%	1.39%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽²⁾	56,961,183 Class B Shares	1.70%	1.39%
Mr. Su Hua	Beneficiary of a trust ⁽²⁾ Founder of a trust ⁽²⁾	56,961,183 Class B Shares	1.70%	1.39%
<i>Class B Shares — Cheng Yixiao</i>				
Ke Yong ⁽³⁾	Beneficial interest	45,568,873 Class B Shares	1.36%	1.11%
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽³⁾	45,568,873 Class B Shares	1.36%	1.11%
Mr. Cheng Yixiao	Beneficiary of a trust ⁽³⁾ Founder of a trust ⁽³⁾	45,568,873 Class B Shares	1.36%	1.11%

Notes:

- (1) The table above assumes that (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme, and (iv) each Ordinary Share held by Reach Best and Ke Yong will automatically convert into one Class A Share of US\$0.0000053 each, and each Ordinary Share held by all other shareholders and each Preferred Share will automatically convert into one Class B Share of US\$0.0000053 each upon the Global Offering becoming unconditional.
- (2) The entire interest in Reach Best is held by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Su Hua (as settlor) for the benefit of Su Hua and his family. Su Hua is deemed to be interested in the 427,469,521 Class A Shares and 56,961,183 Class B Shares held by Reach Best under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) The entire interest in Ke Yong is held by Vistra Trust (Singapore) Pte. Limited as trustee for a trust established by Cheng Yixiao (as settlor) for the benefit of Cheng Yixiao and his family. Cheng Yixiao is deemed to be interested in the 338,767,480 Class A Shares and 45,568,873 Class B Shares held by Ke Yong under the SFO.
- (4) Tencent Mobility Limited, Morespark Limited, Image Frame Investment (HK) Limited, Parallel Nebula Investment Limited and TPP Follow-on I Holding F Limited are ultimately controlled by Tencent Holdings Ltd, a company listed on the Stock Exchange (stock code: 700).
- (5) Morningside China TMT Fund II, L.P. is controlled by Morningside China TMT GP II, L.P., its general partner, which is in turn controlled by TMT General Partner Ltd. Morningside China TMT Special Opportunity Fund, L.P. and Morningside China TMT Fund III Co-investment, L.P. are controlled by Morningside China TMT GP III, L.P., their general partner, which is in turn controlled by TMT General Partner Ltd. MSVC SPF II, L.P. is controlled by MSVC SPF II GP, L.P., its general partner, which is in turn controlled by TMT General Partner Ltd. Consequently, TMT General Partner Ltd. is deemed to be interested in the Shares in which 5Y Capital Shareholders have an interest. Each of Liu Qin, Shi Jianming and Morningside Venture (VII) Limited is entitled to exercise or control the exercise of one-third of the voting power at general meeting of TMT General Partner Ltd., and is therefore also deemed to be interested in the Shares in which TMT General Partner Ltd. is interested. Morningside Venture (VII) Limited is indirectly 100% held through a series of 100% owned holding companies by the Landmark Trust Switzerland SA as trustee of a discretionary trust established by Mdm. Chan Tan Ching Fen for the benefit of certain members of her family and other charitable objects.
- (6) DCM Investment Management VII, L.P. is the general partner of each of DCM Ventures China Fund (DCM VII), L.P. and DCM VII, L.P. and DCM International VII, Ltd. is the general partner of DCM Investment Management VII, L.P. DCM Turbo Fund Investment Management, L.P. is the general partner of each of DCM Ventures China Turbo Fund, L.P. and DCM Ventures China Turbo Affiliates Fund, L.P. and DCM Turbo Fund International, Ltd. is the general partner of DCM Turbo Fund Investment Management, L.P., A-Fund Investment Management, L.P. is the general partner of A-Fund, L.P. and A-Fund International, Ltd. is the general partner of A-Fund Investment Management, L.P.
- (7) DST Asia IV is wholly owned by a Cayman Islands exempted limited partnership, which is controlled by DST Managers Limited, its general partner. DST Global V, L.P. is controlled by DST Managers V Limited, its general partner. DST Managers Limited and DST Managers V Limited are ultimately controlled by Galileo (PTC) Limited, as the trustee of The Cassiopeia Trust.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme, and (iv) each Ordinary Share held by Reach Best and Ke Yong will automatically convert into one Class A Share of US\$0.0000053 each, and each Ordinary Share held by all other shareholders and each Preferred Share will automatically convert into one Class B Share of US\$0.0000053 each), 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.

OUR CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set forth below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”) who have agreed to subscribe, or cause their designated entities to subscribe, for such number of our Offer Shares (rounded down to the nearest whole board lot of 100 Class B Shares) which may be purchased at the Offer Price with an aggregate amount of approximately US\$2,450 million (or approximately HK\$18,996 million) (exclusive of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$105.00 (being the low-end of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 180,916,800 Class B Shares, representing approximately (i) 49.54% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 4.40% of our total issued share capital upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 4.35% of our total issued share capital upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised (in each case assuming that 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme).

Assuming an Offer Price of HK\$110.00 (being the mid-point of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 172,693,600 Class B Shares, representing approximately (i) 47.28% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 4.20% of our total issued share capital upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 4.15% of our total issued share capital upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised (in each case assuming that 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme).

OUR CORNERSTONE INVESTORS

Assuming an Offer Price of HK\$115.00 (being the high-end of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 165,185,200 Class B Shares, representing approximately (i) 45.23% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 4.02% of our total issued share capital upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 3.97% of our total issued share capital upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised (in each case assuming that 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme).

The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Class B Shares commence on the Stock Exchange. There will be no deferred delivery of the Offer Shares to be subscribed by the Cornerstone Investors. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Class B Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

Certain Cornerstone Investors, namely Aranda Investments Pte. Ltd., GIC Private Limited and Sunny Festive Limited, are close associates of certain existing Shareholders and pre-IPO investors of the Company (collectively, the "**Participating Existing Shareholders**"). For details, please refer to "Our Cornerstone Investors" below. We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit us to allocate the Offer Shares to the Participating Existing Shareholders. For details, please refer to "Waiver from Strict Compliance with Rule 10.04 of the Listing Rules and Written Consent under Paragraph 5(2) of Appendix 6 to the Listing Rules in relation to Allocation to Existing Minority Shareholders and/or their Close Associates" in "Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" in this prospectus.

OUR CORNERSTONE INVESTORS

Morgan Stanley Asia Limited (“MSAL”) and Morgan Stanley Investment Management Inc. (“MSIM Inc.”), in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, are considered “connected clients” of the investment banking division of MSAL and Morgan Stanley & Co. International plc under paragraph 13 of Appendix 6 to the Listing Rules. An application has been made to the Stock Exchange, and the Stock Exchange has granted its consent, under paragraph 5(1) of Appendix 6 to the Listing Rules to allow Offer Shares to be placed to MSAL and MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, as a “connected client” of MSAL and Morgan Stanley & Co. International plc.

Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our business and prospects. Other than the Cornerstone Investors which are close associates of the Participating Existing Shareholders, we became acquainted with each of the Cornerstone Investors mainly through introduction by the relevant Joint Global Coordinators. As confirmed by each Cornerstone Investor, their subscription under the Cornerstone Placing would be financed by their own internal financial resources, including but not limited to (a) governmental financial assets managed by them; (b) subscription monies from its fund investors in the accounts managed by them and returns on other investments through fund entities; and/or (c) self-owned funds (as the case may be) and that they have sufficient funds to settle their respective investments under the Cornerstone Placing.

Save as disclosed above, to the best knowledge of our Company,

- (i) each of the Cornerstone Investors is an independent third party;
- (ii) in respect of the Cornerstone Investors who are not close associates of the Participating Existing Shareholders, none of them is accustomed to take instructions from our Company, the Directors, the chief executive of the Company, Controlling Shareholders, substantial Shareholders, or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares;
- (iii) in respect of the Cornerstone Investors who are close associates of the Participating Existing Shareholders, except that they may take instructions from the relevant Participating Existing Shareholders, none of them is accustomed to take instructions from our Company, the Directors, the chief executive of the Company, Controlling Shareholders, substantial Shareholders, or other existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares;

OUR CORNERSTONE INVESTORS

- (iv) in respect of the Cornerstone Investors who are not close associates of the Participating Existing Shareholders, none of the subscription of the relevant Offer Shares by any of such Cornerstone Investors is financed by the Company, the Directors, the chief executive of the Company, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and
- (v) in respect of the Cornerstone Investors who are close associates of the Participating Existing Shareholders, except that their subscription of the relevant Offer Shares may be financed by the relevant Participating Existing Shareholders, none of the subscription of the relevant Offer Shares by such Cornerstone Investors is financed by the Company, the Directors, the chief executive of the Company, Controlling Shareholders, substantial Shareholders, other existing Shareholders or any of its subsidiaries or their respective close associates.

There are no side agreements/arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation”.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around February 4, 2021.

OUR CORNERSTONE INVESTORS

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$105.00 (being the low-end of the indicative Offer Price range)

Cornerstone Investor (each as defined below)	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 100 Class B Shares)	Approximate % of total number of Offer Shares		Approximate % of total issued share capital immediately following the completion of the Global Offering ⁽¹⁾	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	<i>(US\$ in million)</i>					
The Capital Group Funds	500	36,921,900	10.11%	8.79%	0.90%	0.89%
Aranda Investments	330	24,368,400	6.67%	5.80%	0.59%	0.59%
GIC	330	24,368,400	6.67%	5.80%	0.59%	0.59%
Invesco	270	19,937,800	5.46%	4.75%	0.49%	0.48%
Fidelity International	270	19,937,800	5.46%	4.75%	0.49%	0.48%
BlackRock	225	16,614,800	4.55%	3.96%	0.40%	0.40%
CPP Investments	150	11,076,500	3.03%	2.64%	0.27%	0.27%
Sunny Festive	150	11,076,500	3.03%	2.64%	0.27%	0.27%
MSAL and MSIM Inc.	125	9,230,400	2.53%	2.20%	0.22%	0.22%
ADIA	100	7,384,300	2.02%	1.76%	0.18%	0.18%
Total	2,450	180,916,800	49.54%	43.08%	4.40%	4.35%

Note:

- (1) Assuming that 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme.

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$110.00 (being the mid-point of the indicative Offer Price range)

Cornerstone Investor (each as defined below)	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 100 Class B Shares)	Approximate % of total number of Offer Shares		Approximate % of total issued share capital immediately following the completion of the Global Offering ⁽¹⁾	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	<i>(US\$ in million)</i>					
The Capital Group Funds	500	35,243,600	9.65%	8.39%	0.86%	0.85%
Aranda Investments	330	23,260,800	6.37%	5.54%	0.57%	0.56%
GIC	330	23,260,800	6.37%	5.54%	0.57%	0.56%
Invesco	270	19,031,500	5.21%	4.53%	0.46%	0.46%
Fidelity International	270	19,031,500	5.21%	4.53%	0.46%	0.46%
BlackRock	225	15,859,600	4.34%	3.78%	0.39%	0.38%
CPP Investments	150	10,573,100	2.90%	2.52%	0.26%	0.25%
Sunny Festive	150	10,573,100	2.90%	2.52%	0.26%	0.25%
MSAL and MSIM Inc.	125	8,810,900	2.41%	2.10%	0.21%	0.21%
ADIA	100	7,048,700	1.93%	1.68%	0.17%	0.17%
Total	2,450	172,693,600	47.28%	41.12%	4.20%	4.15%

Note:

- (1) Assuming that 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme.

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$115.00 (being the high-end of the indicative Offer Price range)

Cornerstone Investor (each as defined below)	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 100 Class B Shares)	Approximate % of total number of Offer Shares		Approximate % of total issued share capital immediately following the completion of the Global Offering ⁽¹⁾	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	<i>(US\$ in million)</i>					
The Capital Group Funds	500	33,711,300	9.23%	8.03%	0.82%	0.81%
Aranda Investments	330	22,249,400	6.09%	5.30%	0.54%	0.53%
GIC	330	22,249,400	6.09%	5.30%	0.54%	0.53%
Invesco	270	18,204,100	4.98%	4.33%	0.44%	0.44%
Fidelity International	270	18,204,100	4.98%	4.33%	0.44%	0.44%
BlackRock	225	15,170,100	4.15%	3.61%	0.37%	0.36%
CPP Investments	150	10,113,400	2.77%	2.41%	0.25%	0.24%
Sunny Festive	150	10,113,400	2.77%	2.41%	0.25%	0.24%
MSAL and MSIM Inc.	125	8,427,800	2.31%	2.01%	0.21%	0.20%
ADIA	100	6,742,200	1.85%	1.61%	0.16%	0.16%
Total	2,450	165,185,200	45.23%	39.33%	4.02%	3.97%

Note:

- (1) Assuming that 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme.

OUR CORNERSTONE INVESTORS

The following information on the Cornerstone Investors was provided to our Company by the Cornerstone Investors.

1. The Capital Group Funds

The Capital Group Funds are comprised of: (i) Capital Group International Equity Fund Canada, Capital Group Emerging Markets Total Opportunities (LUX), Capital Group Emerging Markets Total Opportunities Fund (Canada), American Funds Developing World Growth and Income Fund, International Growth and Income Fund, Capital Group International Growth and Income Trust (US), EuroPacific Growth Fund, Capital Group EuroPacific Growth Trust (US), CRMC China Equity Account, New World Fund, Inc., Capital Group New World Fund (LUX), American Funds Insurance Series New World Fund, Capital Group Global Equity Fund (Canada), American Funds Insurance Series Global Growth Fund, American Funds Insurance Series International Fund, each of which is managed and advised by Capital Research and Management Company (“CRMC”) (collectively, “CRMC Funds”), and (ii) Emerging Markets Growth Fund, Inc., Emerging Markets Equity Fund, Capital Group Emerging Markets Growth Fund (LUX), Capital Group Emerging Markets Restricted Equity Common Trust (US), Capital Group International All Countries Equity Trust US, each of which is managed and advised by Capital International, Inc. (“CIInc”) (collectively “CIInc Funds”).

CRMC, an experienced investment management organization founded in 1931, serves as the investment adviser to each of the CRMC Funds and to other funds, including the American Funds. CRMC is a wholly-owned subsidiary of The Capital Group Companies, Inc. (“Capital Group”) and is located at 333 South Hope Street, Los Angeles, California 90071, United States.

CIInc was incorporated in California in 1987 primarily to provide investment advisory services to funds and clients investing in emerging markets equities. CIInc is a wholly-owned subsidiary of Capital Group International, Inc. which in turn is owned by CRMC.

Since 1931, Capital Group, home of the American Funds, has been singularly focused on delivering superior results for long-term investors using high-conviction portfolios, rigorous research and individual accountability. Capital Group manages more than US\$2 trillion (as of September 30, 2020) in equity and fixed income assets for millions of individuals and institutional investors around the world.

OUR CORNERSTONE INVESTORS

In addition to the conditions precedent as set out in “— Conditions Precedent”, the subscription obligation of the CRMC Funds and the CIInc Funds are subject to the respective representations, warranties, undertakings and confirmations of the Company being accurate and true in all material respects and not misleading. Further, the CRMC Funds and the CIInc Funds are entitled to terminate the Cornerstone Investment Agreement in the event that there is a material breach of the agreement by the Company.

2. Aranda Investments

Aranda Investments Pte. Ltd. (“**Aranda Investments**”) is an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”). Incorporated in 1974, Temasek is an investment company headquartered in Singapore. Supported by its network of international offices, Temasek owns a S\$306 billion portfolio as at March 31, 2020, with two thirds underlying exposure in Asia. Temasek’s investment activities are guided by four investment themes and the long term trends they represent: Transforming Economies; Growing Middle Income Populations; Deepening Comparative Advantages; and Emerging Champions. Temasek’s investment strategy allows it to capture opportunities across the sectors in which they invest that help bring about a better, smarter and more sustainable world.

Dahlia Investments Pte. Ltd. (“**Dahlia Investments**”), our existing shareholder holding approximately 0.86% of the total issued and outstanding shares of our Company as the date of this prospectus, is indirectly wholly owned by Temasek. Due to the relationship disclosed above, Aranda Investments is a close associate of Dahlia Investments. We have applied for, and the Stock Exchange has granted, waiver from strict compliance with Rule 10.04 and consent under paragraph 5(2) of Appendix 6 to the Listing Rules so that Aranda Investments may participate in the Global Offering as a cornerstone investor.

3. GIC

GIC Private Limited (“**GIC**”) is a global investment management company established in 1981 to manage Singapore’s foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US\$100 billion, GIC is amongst the world’s largest fund management companies.

OUR CORNERSTONE INVESTORS

CMC King III Holdings Limited (“**CMC King III**”), is our existing shareholder holding approximately 0.326% of the total issued and outstanding shares of our Company as the date of this prospectus. GIC is a close associate of CMC King III. We have applied for, and the Stock Exchange has granted, waiver from strict compliance with Rule 10.04 and consent under paragraph 5(2) of Appendix 6 to the Listing Rules so that GIC may participate in the Global Offering as a cornerstone investor.

4. Invesco

Invesco Ltd. (“**Invesco**”), a Bermuda-incorporated company, is a leading independent investment management firm with approximately US\$1,349.9 billion in assets under management as of December 31, 2020. Invesco is a global company focused on investment management, and its services are provided through a number of affiliated investment advisers to a wide range of clients throughout the world, including open-end mutual funds, closed-end funds, exchange-traded funds, collective trust funds, UCITS, real estate investment trusts, unit investment trusts and other pooled investment vehicles, as well as pensions, endowments, insurance companies and sovereign wealth funds. Invesco is a public company and is listed on the New York Stock Exchange (stock code: IVZ.NY). Invesco’s shareholders’ and New York Stock Exchange’s approval are not required for Invesco’s subscription for the Offer Shares pursuant to the relevant Cornerstone Investment Agreement.

Invesco Advisers, Inc. (“**IAI**”) is the principal U.S. investment advisory subsidiary of Invesco and is registered with the U.S. Securities and Exchange Commission as an investment adviser. IAI, acting as discretionary investment adviser for and on behalf of various funds and accounts (the “**IAI Managed Funds**”), has agreed to participate in the Global Offering and for such IAI Managed Funds to invest in our Class B Shares as cornerstone investors.

Invesco Hong Kong Limited (“**IHKL**”) is the Hong Kong investment advisory subsidiary of Invesco and is registered with the SFC and with the U.S. Securities and Exchange Commission as an investment adviser. IHKL, acting as discretionary investment adviser for and on behalf of various funds and accounts (the “**IHKL Managed Funds**”), has agreed to participate in the Global Offering and for such IHKL Managed Funds to invest in our Class B Shares as cornerstone investors.

The IAI Managed Funds and the IHKL Managed Funds are open-end mutual funds, collective trust funds, UCITS, other pooled investment vehicles and financial institutions established under various jurisdictions and have multiple holders (who are, to the best of the knowledge, information and belief of our Company, Independent Third Parties).

OUR CORNERSTONE INVESTORS

5. Fidelity International

FIL Investment Management (Hong Kong) Limited has entered into a Cornerstone Investment Agreement in the capacity as fiduciary and agent for the following entities: a sub-fund of Fidelity Global Investment Fund: Hong Kong Equity Fund, a sub-fund of Fidelity Investment Funds: Asia Fund, a sub-fund of Fidelity Funds: China Consumer Fund, Fidelity China Special Situations PLC, a sub-fund of Fidelity Funds: Asia Focus, a sub-fund of Fidelity Funds: Greater China Fund, a sub-fund of Fidelity Funds: Greater China II Fund, a sub-fund of Fidelity Funds - Pacific Funds, a sub-fund of Fidelity Funds: Asian Special Situations, a sub-fund of Fidelity Funds: Emerging Asia Fund, a sub-fund of Fidelity Funds - Institutional Asia Pacific (ex Japan) Opportunities Fund, a sub-fund of Fidelity Funds - Fidelity Asia Pacific Opportunities Fund, a sub-fund of Fidelity Investment Funds: Fidelity China Consumer Fund, a sub-fund of Fidelity Funds - Asian Equity, Fidelity Asia Fund, Fidelity Korea - Asia Pacific Mother Investment Trust, Fidelity Active Strategy - FAST - Asia Fund, a sub-fund of Fidelity Investments Funds: Fidelity Emerging Asia Fund, a sub-fund of Fidelity Funds: Institutional Hong Kong Equity Fund, a sub-fund of Fidelity Funds - Global Consumer Industries, Fidelity Asia Equity Mother Fund, a sub-fund of Fidelity Common Contractual Fund - Asia Pacific ex Japanese Equity and certain other third-party funds and accounts all of which are advised or sub-advised by FIL Investment Management (Hong Kong) Limited and its related group of companies collectively known as Fidelity International (the “**Fidelity International**”).

In addition to the conditions precedent as set out in “— Conditions Precedent”, the subscription obligation of Fidelity International is subject to the respective representations, warranties, undertakings and confirmations of the Company being accurate and true in all material respects and not misleading in any material respect and there being no material breach of the Cornerstone Investment Agreement on the part of the Company.

6. BlackRock

Investment management subsidiaries of BlackRock, Inc. (“**BlackRock**”) have discretionary investment management power over BlackRock Systematic China Absolute Return Master Fund Ltd., BlackRock International Fund of BlackRock Series, Inc., BlackRock International V.I. Fund of BlackRock Variable Series Funds, Inc., BlackRock Emerging Markets Fund, Inc., BlackRock Strategic Funds - BlackRock Global Equity Absolute Return Fund, BlackRock Strategic Funds - BlackRock Asia Pacific Absolute Return Fund, BlackRock Global Funds - Emerging Markets Fund, BlackRock Asia Special Situations Fund, BlackRock Global Funds - Asian Growth Leaders Fund, BlackRock Global Funds - China Fund, BlackRock Global Funds - China Flexible Equity Fund, BlackRock Global Funds - Asian Multi-Asset Income Fund, BlackRock Emerging Markets Fund, BlackRock Institutional Equity Funds - Emerging Markets, BlackRock Emerging Frontiers Master Fund Limited, BlackRock Funds I ICAV - BlackRock Emerging Markets ESG Screened

OUR CORNERSTONE INVESTORS

Fund, BlackRock Funds I ICAV - BlackRock Advantage Asia ex Japan Equity Fund, International Multi-cap Equity Fund, Pan Asia Opportunities Master Fund Ltd., Asia Alpha Advantage Fund Ltd., APAC Alpha Advantage Custom Strategy, Global Alpha Opportunities Master Fund Ltd, SAE Liquidity Fund LP, The 32 Capital Master Fund SPC Ltd and certain separately managed accounts (as several and not joint nor joint and several investors, each, a “**BlackRock Fund**”, and collectively the “**BlackRock Funds**”). BlackRock is listed on the New York Stock Exchange (stock code: BLK). As of December 31, 2020, the firm managed approximately US\$8.68 trillion in assets on behalf of investors worldwide. BlackRock’s shareholders’ and New York Stock Exchange’s approval are not required for BlackRock Funds’ subscription for the Offer Shares pursuant to the Cornerstone Investment Agreement.

In addition to the conditions precedent as set out in “— Conditions Precedent”, the subscription obligation of the BlackRock Funds is subject to the respective representations, warranties, acknowledgements, undertakings and confirmations of the Company being accurate, true and complete in all material respects and not misleading or deceptive and there being no material breach of the Cornerstone Investment Agreement on the part of the investor and the Company. Further, the BlackRock Funds are entitled to terminate the Cornerstone Investment Agreement in the event there is a material breach of the Cornerstone Investment Agreement by the Company or other contracting parties or it is prevented or delayed from performing its obligations under the Cornerstone Investment Agreement as a result of circumstances beyond its control.

7. CPP Investments

CPP Investment Board PMI-2 Inc., is a wholly-owned subsidiary of Canada Pension Plan Investment Board (“**CPP Investments**”TM). CPP Investments is a professional investment management organization that manages the CPP Fund in the best interests of the more than 20 million contributors and beneficiaries of the Canada Pension Plan. In order to build diversified portfolios of assets, investments are made around the world in public equities, private equities, real estate, infrastructure and fixed income. At September 30, 2020, the CPP Fund totalled C\$456.7 billion.

OUR CORNERSTONE INVESTORS

8. Sunny Festive

Sunny Festive Limited (“**Sunny Festive**”), a BVI business company incorporated in the British Virgin Islands, is 100% owned by Merry Gladness Limited. Merry Gladness Limited is a BVI business company incorporated in the BVI and a controlled subsidiary of Boyu Capital Opportunities Master Fund. Boyu Capital Opportunities Master Fund is an exempted company with limited liability incorporated under the laws of the Cayman Islands and an investment fund managed by Boyu Capital Investment Management Co., Limited (“**BCIMCL**”), a company with limited liability incorporated in Hong Kong. BCIMCL is 100% owned by Boyu Capital Investment Management Limited (“**BCIM**”), an exempted company incorporated under the laws of the Cayman Islands.

Superior Leap Limited (“**Superior Leap**”), our existing shareholder holding approximately 2.29% of the total issued and outstanding shares of our Company as the date of this prospectus, is indirectly controlled by Boyu Capital Group Management Ltd (“**BCGML**”). Both BCIM and BCGML are controlled by Boyu Capital Group Holdings Ltd. (“**Boyu Capital Group**”). Boyu Capital Group is a leading China-focused investment firm providing growth and transformational capital for high-quality business franchises with sustainable growth in Greater China region across four main sectors including healthcare, consumer, technology, media and telecommunication and financial services. Due to the relationship disclosed above, Sunny Festive is a close associate of Superior Leap. We have applied for, and the Stock Exchange has granted, waiver from strict compliance with Rule 10.04 and consent under paragraph 5(2) of Appendix 6 to the Listing Rules so that Sunny Festive may participate in the Global Offering as a cornerstone investor.

9. MSAL and MSIM Inc.

The investment management business of Morgan Stanley (“**MSIM**”) has 729 investment professionals around the world and US\$715 billion in assets under management or supervision as of September 30, 2020. MSIM strives to provide outstanding long-term investment performance, service and a comprehensive suite of investment management solutions to a diverse client base, which includes governments, institutions, corporations and individuals worldwide.

With 43 offices in 23 countries, MSIM is able to provide in-depth local knowledge and expertise while channeling the strength of its global presence and resources. To support the delivery of tailored, value-added investment solutions to clients, its investment teams are organized by capability: Solutions & Multi-Asset, Real Assets, Active Fundamental Equity, Private Credit & Equity, Global Fixed Income, and Global Liquidity. Business operations provide centralized functions to support the investment teams.

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Morgan Stanley Asia Limited (“**MSAL**”) is a company incorporated in Hong Kong and is ultimately wholly owned by Morgan Stanley. MSAL offers its complete range of products and services to clients across the region and globally including investment banking, foreign exchange sales and trading, introductory brokerage, investment management and provision of support services. MSAL is licensed with the Hong Kong Securities and Futures Commission to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571).

Morgan Stanley Investment Management Inc. (“**MSIM Inc.**”) is a company incorporated in Delaware, U.S.A. and is ultimately wholly owned by Morgan Stanley. Morgan Stanley (NYSE: MS) is a leading global financial services firm providing investment banking, securities, wealth management and investment management services. The firm serves clients worldwide including corporations, governments, institutions and individuals. Morgan Stanley’s shareholders’ and New York Stock Exchange’s approval are not required for the subscription by MSAL and MSIM Inc. for the Offer Shares pursuant to the relevant Cornerstone Investment Agreement.

MSAL, in its capacity as investment manager acting as agent on behalf of certain discretionary clients and funds, is the investment management division of MSAL. MSAL, acting through its investment banking division, is a Joint Sponsor, Joint Global Coordinator, Joint Bookrunner (in relation to the Hong Kong Public Offering), Joint Lead Manager (in relation to the Hong Kong Public Offering) and Hong Kong Underwriter in the Global Offering. Further, MSAL and MSIM Inc. are members of the same group of companies as Morgan Stanley & Co. International plc, a Joint Bookrunner (in relation to the International Offering), Joint Lead Manager (in relation to the International Offering) and International Underwriter in the Global Offering.

Given the relationship above, MSAL and MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, are considered “connected clients” of the investment banking division of MSAL and Morgan Stanley & Co. International plc under paragraph 13 of Appendix 6 to the Listing Rules, despite the investment banking division and the investment management division of MSAL and MSIM Inc. have at all times been operating at arm’s length in respect of the Listing and the participation of MSAL and MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, in the Global Offering as cornerstone investors are purely investment decisions of MSAL’s investment management division and MSIM Inc. are not connected in any way to the roles played by the investment banking division of MSAL in the Listing.

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The participation of MSAL and MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, in the Global Offering as cornerstone investors is therefore subject to the written consent from the Stock Exchange. The Class B Shares to be allocated and issued to MSAL and MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, will be held on a discretionary basis for and on behalf of clients who are independent third parties. It is confirmed by the Company that the Cornerstone Investment Agreement entered with MSAL and MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, will not contain any material terms which are more favourable to MSAL or MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, than those in other Cornerstone Investment Agreements. In addition, apart from the preferential treatment of assured entitlement under a cornerstone investment, (i) each of MSAL, MSIM Inc. and Morgan Stanley & Co. International plc (as Joint Bookrunners) and the Company has also confirmed that no preferential treatment has been, nor will be, given to MSAL or MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, by virtue of its relationship with MSAL, MSIM Inc. and Morgan Stanley & Co. International plc (as Joint Bookrunners); (ii) MSAL and MSIM Inc. in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, has confirmed that, to the best of their knowledge and belief, they have not received and will not receive preferential treatment in the allocation of the Global Offering by virtue of their relationship with MSAL, MSIM Inc. and Morgan Stanley & Co. International plc (as Joint Bookrunners); (iii) each of the Joint Bookrunners (other than MSAL and Morgan Stanley & Co. International plc) has confirmed that, to the best of their respective knowledge and belief, no preferential treatment has been, nor will be, given to MSAL or MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, by virtue of its relationship with MSAL, MSIM Inc. and Morgan Stanley & Co. International plc (as Joint Bookrunners); and (iv) each of the Joint Sponsors has confirmed that it has no reason to believe that MSAL and MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, received any preferential treatment in the allocation of the Global Offering by virtue of its relationship with MSAL, MSIM Inc. and Morgan Stanley & Co. International plc (as Joint Bookrunners).

An application has been made to the Stock Exchange, and the Stock Exchange has granted its consent, under paragraph 5(1) of Appendix 6 to the Listing Rules to allow Offer Shares to be placed to MSAL and MSIM Inc., in their capacity as investment managers acting as agent on behalf of certain discretionary clients and funds, as a “connected client” of MSAL and Morgan Stanley & Co. International plc.

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10. ADIA

Abu Dhabi Investment Authority (“ADIA”) is a public institution established by the Government of the Emirate of Abu Dhabi in 1976 as an independent investment institution. ADIA’s objective is to receive funds of the Government of Abu Dhabi allocated for investment, and invest and reinvest those funds, for the general benefit of the Emirate of Abu Dhabi.

ADIA manages a global investment portfolio that is diversified across more than two dozen asset classes and sub-categories including developed equities, emerging market equities, small cap equities, government bonds, credit, fixed income, real estate, infrastructure, private equity, cash and alternatives.

CONDITIONS PRECEDENT

The obligation of each of the Cornerstone Investors to acquire the relevant Offer Shares under the respective Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements;
- (b) the Offer Price having been agreed upon between the Company and the Joint Representatives (for themselves and on behalf of the Underwriters of the Global Offering);
- (c) the Listing Committee having granted the listing of, and permission to deal in, the Class B Shares (as well as other applicable waivers and approvals) and that such approval, permission or waiver not having been revoked prior to the commencement of dealings in the Class B Shares;

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- (d) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the relevant Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF CLASS B SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances for the relevant Cornerstone Investor, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

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In the following section we discuss our historical financial results for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020. You should read the following discussion and analysis together with our audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2020, our unaudited consolidated financial statements for the nine months ended September 30, 2019 and the accompanying notes included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS.

This discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and our financial performance and involves risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of any number of factors. In evaluating our business, you should carefully consider the information provided in this prospectus, including "Risk Factors" and "Business" in this prospectus.

OVERVIEW

We are a leading content community and social platform. We believe each person is unique with his or her own needs and strengths. We believe engagement and interactions among people create value. As a result, we continuously improve and enhance our content creation tools and services that empower people to chronicle and share their life experiences, and showcase their talents. Additionally, we enable people to discover other creators and high quality content easily through our effective content discovery mechanism. Working closely with creators and businesses, together we provide more product and service offerings to our users, further enriching people's choices. Globally, we are the largest live streaming platform by gross billings from virtual gifting and average live streaming MPUs, the second largest short video platform by average DAUs, and the second largest live streaming e-commerce platform by GMV, all for the nine months ended September 30, 2020, according to iResearch.

Our platform offers a rich and diverse range of content that matches a broader set of interests and needs and motivates our users to continually create new and unique content. During the Track Record Period, we focused on growing and diversifying our content and creating an inclusive community, which in turn propelled content creation and stimulated user engagement. Given the nature of our content, social connections and engagement based on common interests occur naturally. As a result, our platform fosters a vibrant ecosystem for users and businesses to interact

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on the basis of our deep and diverse content base. Content creators constituted approximately 26% of our average MAUs on Kuaishou App in the nine months ended September 30, 2020. We also had approximately 1.1 billion average monthly short video uploads on Kuaishou App in the nine months ended September 30, 2020.

In addition to our content which is primarily in the form of short videos and live streams, we have expanded our platform to include products and services to address needs that arise naturally when users engage with our content. We monetize primarily through the sale of virtual items, provision of various online marketing services, and collection of commissions from e-commerce transactions. We are also actively developing additional monetization opportunities to diversify our revenue streams through online games, online knowledge-sharing and other products and services. We believe our platform has achieved multifaceted network effects, strong revenue growth and increasing operating leverage as one of the largest content-based social platforms globally. Furthermore, we believe our massive user base and strong user engagement will continue to drive our revenue growth through expansion of existing businesses and unlock potential monetization avenues in the future.

We grew rapidly during the Track Record Period. Our revenues grew from RMB8.3 billion in 2017 to RMB20.3 billion in 2018 and RMB39.1 billion in 2019, and grew from RMB27.3 billion in the nine months ended September 30, 2019 to RMB40.7 billion in the nine months ended September 30, 2020. We had net loss of RMB20.0 billion, RMB12.4 billion, RMB19.7 billion, RMB1.6 billion and RMB97.4 billion in 2017, 2018, 2019 and the nine months ended September 30, 2019 and September 30, 2020, respectively. Excluding share-based compensation expenses and fair value changes of convertible redeemable preferred shares, we had adjusted net profit of RMB774.0 million, RMB204.8 million, RMB1.0 billion and RMB1.8 billion in 2017, 2018, 2019 and the nine months ended September 30, 2019, respectively, and adjusted net loss of RMB7.2 billion in the nine months ended September 30, 2020. Our adjusted EBITDA, which excluded also income tax expenses/(benefits), depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, and finance expense/(income), net, was RMB1.0 billion, RMB1.4 billion, RMB3.6 billion, RMB3.6 billion and negative RMB4.5 billion in 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively. Adjusted net profit/(loss) and adjusted EBITDA are non-IFRS measures. For more details, see “— Non-IFRS Measures” in this section.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS and interpretations issued by IASB applicable to companies reporting under IFRS. The historical financial information has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

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The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 4 to the Accountant's Report in Appendix I to this prospectus. Regarding the change in accounting policy and disclosures, see Note 2 to the Accountant's Report in Appendix I to this prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by general factors affecting the broader mobile internet industry and internet services in China, which include China's overall economic growth and level of per capita disposable income; the growth of mobile internet usage; the popularity of social platforms, including those of content-based platforms, and their popularity as advertising media; governmental policies and initiatives affecting content-based social platforms in China; and competition from various types of online entertainment formats.

Unfavorable changes in any of these factors could negatively affect demand for our services and materially and adversely affect our results of operations.

Our results of operations are also affected by certain company-specific factors, including the following:

Our ability to grow our user base and enhance user engagement

We are a leading content community and social platform. Our platform offers a rich and diverse range of content that matches a broad set of interests and needs, which motivates our users to create new and differentiated content. Based on short video and live streaming content, we have continuously expanded our platform to develop interactive features as well as products and services to address our users' evolving needs.

Our business depends on our ability to grow our user base and increase user engagement. Our user base has grown rapidly since our inception in 2011. During the Track Record Period, substantially all of our revenues were generated from our Kuaishou App, which is our family of mobile apps comprising Kuaishou Flagship, Kuaishou Express and Kuaishou Concept. Kuaishou App is a trusted and favored destination for users to record and share their experiences. We have become a household brand, and are among the most widely used social platforms in China, according to iResearch.

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The following table sets forth our average DAUs, average MAUs and average daily time spent per DAU on Kuaishou App for the periods indicated, respectively:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	Average DAUs (in millions)	66.7	117.1	175.6	165.2
Average MAUs (in millions)	136.3	240.7	330.4	311.7	482.9
Average daily time spent per DAU (in minutes)	52.7	64.9	74.6	74.0	86.3

During the Track Record Period, we focused on growing our user base and improving user engagement by diversifying our content and creating an inclusive community. In the nine months ended September 30, 2020, our users uploaded approximately 1.1 billion average monthly short videos on Kuaishou App, and hosted nearly 1.4 billion live streaming sessions on Kuaishou App. We have built a massive user base with 262 million average DAUs and 483 million average MAUs on Kuaishou App in the nine months ended September 30, 2020. Our users are also highly active and engaged, with our DAUs on average spending over 86 minutes per day on Kuaishou App and accessing Kuaishou App more than 10 times a day in the nine months ended September 30, 2020. Additionally, our content creators constituted approximately 26% of our average MAUs on Kuaishou App in the nine months ended September 30, 2020.

As our platform engenders a highly social and interactive experience and allows users to build connections and engage based on common interests, we foster a vibrant ecosystem for users and businesses to interact on the basis of our rich and diversified content. For example, our users contributed 2.2 trillion likes, 173 billion comments and 9 billion shares on Kuaishou App for the nine months ended September 30, 2020. We continue to innovate and push the boundaries of technology in order to satisfy the needs of our users, improve their experiences and exceed their expectations.

The number of active users, their level of engagement and the quality of experience affect our revenues, as they affect the revenue from virtual gifting, the spending of our advertising customers, as well as the revenue generated from other monetization channels, such as e-commerce.

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Our ability to monetize through multiple levers supported by network effects

We have developed a monetization model with a mix of products and services to address the myriad user needs that arise naturally in our ecosystem. Our revenues and profitability are affected by our ability to monetize, which in turn depends on our ability to increase the size of our live streaming, online marketing services, e-commerce and other businesses. We began to monetize in 2016, and we continue to strengthen and diversify our monetization models.

Majority of the revenues we generated during the Track Record Period were from live streaming. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, revenue attributable to live streaming as a percentage of our revenues was 95.3%, 91.7%, 80.4%, 84.1% and 62.2%, respectively. Live streaming revenue has generally increased during the Track Record Period. Our ability to grow our live streaming revenue depends on our ability to provide a vast amount of diverse live streaming content and to increase user engagement during live streaming through our interactive features.

The following table sets forth our average MPUs and monthly ARPPU for our Kuaishou App with respect to live streaming for the periods indicated, respectively:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	Average MPUs for live streaming (in millions)	12.6	28.3	48.9	48.5
Monthly ARPPU for live streaming (in RMB).	52.5	54.9	53.6	52.5	47.0

Although our average MPUs for live streaming increased continuously throughout the Track Record Period, our monthly ARPPU for live streaming decreased from RMB54.9 in 2018 to RMB53.6 in 2019, and further from RMB52.5 in the nine months ended September 30, 2019 to RMB47.0 in the nine months ended September 30, 2020, primarily due to our rapidly expanding user base driven by an increasing number of new users whose spending habits typically take time to develop. Going forward, we aim to continue to cultivate user habits and improve overall user experience, which we expect will increase our monthly ARPPU.

We derived an increasing proportion of our revenues from online marketing services over the Track Record Period. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, revenue attributable to online marketing services as a percentage of our revenues was 4.7%, 8.2%, 19.0%, 15.6% and 32.8%, respectively. The average online marketing services revenue per DAU on Kuaishou App grew from RMB5.9 in 2017 to RMB14.2 in 2018, and further to RMB42.3

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in 2019. In addition, the average online marketing services revenue per DAU on Kuaishou App increased from RMB25.8 in the nine months ended September 30, 2019 to RMB50.9 in the nine months ended September 30, 2020. Online marketing opportunities arise naturally through our massive user base and diverse set of communities with varied interests. Our online marketing services are customizable based on user interests and carefully designed in content and style so that they are not disruptive to our users' experience. Our AI capabilities allow us to help our advertising customers to reach targeted audience more precisely to improve their return on investment. We offer a full suite of online marketing solutions, including advertising services, Kuaishou fans headline services and other marketing services to customers. Our advertising services include performance-based advertising services which allow advertising customers to place links on our platform or third-party internet properties through our AI-powered recommendation engine, and various formats of display-based advertising services.

We also generated revenue from our other services including e-commerce, online games and other value-added services. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, revenue attributable to other services as a percentage of our revenues was nil, 0.1%, 0.6%, 0.3% and 5.0%, respectively. To address the natural demand from users to buy and sell goods via short videos or live streams on our platform, we launched our e-commerce business in August 2018. Our e-commerce revenue grew rapidly during the Track Record Period as it is naturally embedded to the live streaming content and further enhances our user interaction as well as trust. The total GMV of e-commerce transactions facilitated on our platform increased from RMB96.6 million in 2018 to RMB59.6 billion in 2019, and from RMB16.8 billion in the nine months ended September 30, 2019 to RMB204.1 billion in the nine months ended September 30, 2020. Our ability to increase our e-commerce revenue depends on the content through which merchants can effectively raise awareness of their products, businesses or brands, user interactions and the level of trust in our user community. At the same time, we have been growing other revenues from online games and other value-added services by leveraging both our in-house game development capability as well as collaborations with other third parties.

The network effects that arise from the interactions among our ecosystem participants further strengthen our monetization capabilities. These network effects within our ecosystem span multiple value chains, with participants playing dynamic roles in different aspects of our ecosystem. For instance, live streaming involves multiway interactions among streamers and viewers. E-commerce involves interactions between buyers, e-commerce merchants, e-commerce streamers and logistics providers. Advertising involves interactions between users, content creators or creative agencies, advertisers and marketing service providers. Hence, we can generate revenues from a user in multiple ways. Furthermore, interactions within a value chain reinforce our users' trust in our platform, which further stimulate their engagement.

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Our ability to provide innovative products and services using technology

In order to attract and retain users and to keep the level of user engagement high, we must continue to innovate our products and services, implement new technologies and improve the features of our platform.

During the Track Record Period, we expanded our platform to offer a number of innovative products and services. For instance, in August 2019, we officially launched Kuaishou Express, a variant of Kuaishou Flagship, in order to provide users with a more immersive entertainment and content consumption experience through a simpler interface. Kuaishou Express' average DAUs exceeded 100 million in August 2020. In 2018, we launched our e-commerce business as a natural extension to our platform. In the same year, we also pioneered an innovative monetization model by launching a matrix of products and services built on our content, including online games, online knowledge-sharing and other products and services.

We have invested significant resources in our data and technology infrastructure. Our strong research and development team of over 6,500 employees has developed industry-leading AI and big data capabilities to facilitate personalized recommendation, content creation and MMU. Our investments in technology allows us to enhance user experience, improve operational efficiency as well as strengthen our monetization capabilities. In addition, it is critical for us to continue to recruit, retain and motivate talented and experienced personnel in order to stay at the forefront of technology. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, we incurred RMB476.6 million, RMB1.8 billion, RMB2.9 billion, RMB2.0 billion and RMB4.1 billion in research and development expenses, respectively, representing 5.6%, 8.6%, 7.5%, 7.5% and 10.1%, respectively, of our total revenues during the same periods. We expect to continue to invest in technology to further improve user experience and improve operational efficiency.

Our ability to manage our costs and expenses

Our results of operations depend on our ability to manage our costs and expenses. Our cost of revenues consists primarily of revenue sharing to streamers and related taxes, bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, and amortization of intangible assets. We grew rapidly during the Track Record Period, and our cost of revenues and expenses increased with our growth. We expect our revenue sharing to streamers to continue to increase in absolute amount along with the growth in live streaming revenue. In addition, we expect the absolute amount of our bandwidth expenses and server custody costs, other costs such as depreciation of property and equipment and right-of-use assets, and staff costs to increase as we grow our business scale and user traffic. Our selling and marketing expenses increased in absolute amounts during the Track Record Period, as we continuously grew our user base and enhanced our brand awareness. During the Track Record Period, our selling and

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marketing expenses grew at a faster rate compared to the growth rate of our total revenues, primarily due to our strategic decision to invest more in our sales and marketing efforts to develop our overall ecosystem, and to grow our user base and enhance user engagement. As we continue to develop our ecosystem, we expect our selling and marketing expenses will continue to be a meaningful portion of our expenses but will decrease as a percentage of our revenues in the future as we continue to grow and diversify our revenues, improve operational efficiency and enjoy economies of scale.

For a vast number of users, we have become the destination of choice for creating, sharing and enjoying a diverse range of content and activities. We believe the self-reinforcing network effects of our platform and associated operating leverage will allow us to compete more effectively and grow user lifetime value in the long run. We believe the increasing range of content and diversity of products and services offered on our platform will attract additional users to our platform and build more social connections, reinforcing the virtuous cycle on our platform. Accordingly, as our business grows, we believe our scale, coupled with the network effects and the virtuous cycle, will allow us to grow our business more cost-effectively.

IMPACT OF COVID-19 ON OPERATIONS

During the outbreak of COVID-19, as China adopted various social distancing initiatives in response to the pandemic, many people turned to online social and entertainment activities in lieu of physical gatherings. Consequently, there was a surge in demand for internet and mobile services. However, the surge in demand was offset by negative factors, such as reduced business activity and incomes as a result of lock-down and mandatory or voluntary social distancing, and reduced consumption as a result of general concerns and uncertainty about the pandemic and the economy.

Our results of operations in the nine months ended September 30, 2020 were affected by the following specific factors: (i) changes in user behaviors online which impacted our live streaming business; (ii) an increase in demand for online services led to stronger growth in our user base and engagement, which in turn attracted more online marketing customers; (iii) an increase in online purchases in lieu of offline transactions due to social distancing measures contributed to the growth of our e-commerce business, as evidenced by the amount of sales transacted on our platform; (iv) a surge in demand for online social and entertainment services in lieu of physical gatherings due to social distancing measures resulted in higher user traffic on our platform, which increased our bandwidth expenses, server custody costs and other similar costs; and (v) in response to the outbreak, we took a series of measures to protect our employees, including providing our employees with protective equipment immediately after the outbreak, which increased our operating costs.

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In addition, due to governments' measures to contain the spread of the virus such as restrictions on mobility and travel and cancellation of public activities, our operations have, to a certain extent, been impacted by delays in business activities and commercial transactions as well as general uncertainties surrounding the duration of the governments' extended business and travel restrictions. In particular, the travel restrictions resulted in the reduction in size or even cancellation of our offline events, which temporarily adversely affected some of our marketing activities. Moreover, we took a series of measures in response to the outbreak to protect our employees in compliance with governments' measures, including, among others, temporary closure of our offices, remote working arrangements for our employees, and travel restrictions or suspension. These measures temporarily reduced the capacity and efficiency of our operations.

There remains significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic. Should China experience further outbreak, China may again take emergency measures to combat it, including travel restrictions, mandatory cessations of business operations, mandatory quarantines, work-from-home and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions, which may impact online businesses. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook for 2020 cannot be reasonably estimated at this time. Our results of operations and consolidated financial position for 2020 will depend on the future development of the outbreak, including its local and global severity and actions taken to contain it, which are highly uncertain and unpredictable. For more details, see "Risk Factors — Risks Related to Our Business — Our business operations and financial performance have been affected by the COVID-19 outbreak."

MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenues

During the Track Record Period, we generated revenues from live streaming, online marketing services and other services. We mainly operated our businesses in China, and substantially all of our revenues were generated from customers in China.

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The following table sets forth our revenues by business line in absolute amounts and as percentages of our revenues for the periods indicated, respectively:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	(unaudited)									
Live streaming	7,948,997	95.3	18,615,130	91.7	31,442,341	80.4	22,922,116	84.1	25,309,312	62.2
Online marketing services	390,581	4.7	1,665,095	8.2	7,418,502	19.0	4,267,512	15.6	13,343,194	32.8
Other services	—	—	20,420	0.1	259,505	0.6	78,340	0.3	2,024,935	5.0
Total	8,339,578	100.0	20,300,645	100.0	39,120,348	100.0	27,267,968	100.0	40,677,441	100.0

Live streaming

During the Track Record Period, we generated a majority of our revenues from our live streaming business. Our live streaming business generates revenue from sales of virtual items to viewers who purchase such virtual items and present them as gifts to streamers to show their support and appreciation. We recognize revenue when the virtual items are gifted by viewers to streamers as we have no further obligations related to virtual items once they are gifted to streamers. The proceeds received from the sales of virtual items before they are gifted by viewers to streamers are recorded as advances from customers.

Our live streaming revenue is affected by the number of our paying users and ARPPU for live streaming.

During the Track Record Period, the number of paying users for live streaming increased as we continuously grew our user base and improved user engagement. We expect the number of paying users for live streaming to continue to grow as we further diversify and enrich the content on our platform.

We calculate monthly ARPPU for live streaming in a certain period by dividing revenue from our live streaming business for the period by average MPUs for live streaming during the period. As our user base expands, our ARPPU for live streaming may fluctuate from period to period.

For more details, see “— Major Factors Affecting Our Results of Operations” in this section.

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Other factors that directly or indirectly affect our live streaming revenue include our ability to increase our popularity by offering new and attractive content, products and services that allow us to monetize our live streaming content and our ability to attract and retain streamers.

Online marketing services

During the Track Record Period, we generated an increasing portion of our revenues from online marketing services. We offer customers a full suite of online marketing solutions, primarily including performance-based and display-based advertising services, as well as Kuaishou fans headline services, to help them effectively reach their target audience. The performance-based advertising services are primarily presented and delivered in the way of short videos with clickable thumbnails and recognized as revenue upon click by the users on the customer-sponsored links. Display-based advertisement appears in the form of opening-page splash advertisements, traditional banner ads, logos and sponsored filters on various interfaces of the platform and is recognized as revenue over the display period. We also provide Kuaishou fans headline services where the customers pay for exposure of their short videos or live streams to a targeted number of viewers for a specified period of time on Kuaishou App. The revenue generated from Kuaishou fans headline services is recognized over the contracted exposure time. We expect our revenue from online marketing services will continue to grow, as we become increasingly appealing to online marketing customers.

Other services

During the Track Record Period, we generated revenue from other businesses, including our e-commerce business, online games and other value-added services. For our e-commerce business, we allow merchants to promote and sell goods on our platform and charge commissions on the sales of goods completed through our platform. We recognize revenue relating to our e-commerce business at a point in time when the sale of goods is completed. For online games and other value-added services, we recognize revenue when we have satisfied the performance of our obligations under the service contracts.

We intend to continue exploring diversified monetization models and opportunities to develop our robust and comprehensive e-commerce platform and to improve our online game and other value-added services.

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Cost of Revenues

Our cost of revenues comprises (i) revenue sharing to streamers and related taxes; (ii) bandwidth expenses and server custody costs; (iii) depreciation of property and equipment and right-of-use assets, and amortization of intangible assets; (iv) payment processing costs; and (v) other cost of revenues. Other cost of revenues primarily comprises (i) employee benefit expenses, which primarily consist of employee salaries, bonuses, social insurance premiums and share-based compensation expenses incurred in connection with the Pre-IPO ESOP; (ii) other services cost which primarily includes costs incurred in connection with advertisement placements on third-party platforms we cooperate with to provide online marketing services to our customers and other costs incurred in connection with the delivery of online marketing services; (iii) tax surcharges; and (iv) other cost of revenue which primarily includes outsourcing and other labor costs, and other miscellaneous costs. The following table sets forth the components of our cost of revenues in absolute amounts and as percentages of our revenues for the periods indicated, respectively:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	(unaudited)									
Revenue sharing to streamers and related taxes	4,395,623	52.7	10,396,086	51.2	18,149,248	46.4	13,290,820	48.7	14,302,621	35.2
Bandwidth expenses and server custody costs ⁽¹⁾	807,902	9.7	1,830,875	9.0	2,650,623	6.8	1,824,369	6.7	3,920,498	9.6
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets ⁽¹⁾	89,214	1.1	1,093,797	5.4	1,991,084	5.1	1,249,254	4.6	3,234,815	8.0
Payment processing costs	269,338	3.2	488,770	2.4	642,155	1.6	480,527	1.8	687,335	1.7
Other cost of revenues	166,671	2.0	688,895	3.4	1,583,664	4.0	953,166	3.5	3,221,367	7.9
Total	<u>5,728,748</u>	<u>68.7</u>	<u>14,498,423</u>	<u>71.4</u>	<u>25,016,774</u>	<u>63.9</u>	<u>17,798,136</u>	<u>65.3</u>	<u>25,366,636</u>	<u>62.4</u>

Note:

- (1) Server custody costs included the custody fee of internet data centers with a lease term of one year or less which is exempted under the new standard of IFRS 16 — Leases. Leases of internet data centers with a term of over one year were recorded as right-of-use assets, and recorded as depreciation charge in cost of revenues.

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Revenue sharing to streamers and related taxes

Revenue sharing to streamers and related taxes represent the portion of revenue generated from virtual gifting that we share with streamers based on pre-agreed arrangements, along with the associated tax incurred on such shared revenue.

Bandwidth expenses and server custody costs

Bandwidth expenses and server custody costs primarily consist of fees that we pay to telecommunication and other service providers for bandwidth and custody services for our servers at internet data centers. Leases of internet data centers with a term of one year or less are recorded as server custody costs. Bandwidth expenses and server custody costs are impacted by user traffic and the scale of our user base.

Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets

Depreciation of property and equipment and right-of-use assets is primarily the depreciation of our computers, servers and other IT equipment, and server custody costs with internet data centers with a lease term of over one year. Amortization of intangible assets primarily includes amortization of our licenses, copyrights and software. Depreciation of property and equipment and right-of-use assets is impacted by user traffic and the scale of our user base.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in absolute amount and as percentages of our revenues, or gross profit margin, for the periods indicated, respectively:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	(unaudited)									
Gross profit	2,610,830	31.3	5,802,222	28.6	14,103,574	36.1	9,469,832	34.7	15,310,805	37.6

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Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of promotion and advertising expenses.

The following table sets forth the components of our selling and marketing expenses in absolute amounts and as percentages of our total revenues for the periods indicated, respectively:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>						<i>(unaudited)</i>			
Promotion and advertising expenses	1,264,725	15.2	4,077,084	20.1	9,422,745	24.1	5,293,916	19.4	19,103,231	47.0
Employee benefit expenses	77,145	0.9	161,011	0.8	382,511	0.9	254,869	0.9	585,809	1.4
Other selling and marketing expenses	17,754	0.3	23,951	0.1	59,770	0.2	29,824	0.2	144,231	0.4
Total	<u>1,359,624</u>	<u>16.4</u>	<u>4,262,046</u>	<u>21.0</u>	<u>9,865,026</u>	<u>25.2</u>	<u>5,578,609</u>	<u>20.5</u>	<u>19,833,271</u>	<u>48.8</u>

Our promotion and advertising expenses mainly include user acquisition and maintenance costs and expenses associated with brand marketing campaigns. We incur user acquisition and maintenance costs to promote our products and services offerings and to acquire and retain users. We incur expenses associated with brand marketing campaigns to increase our brand recognition, which is expected to have long-term benefit to the overall development of our ecosystem.

Our promotion and advertising expenses increased significantly during the Track Record Period. We officially launched Kuaishou Express in August 2019 and incurred expenses in connection with user acquisition and brand promotion for Kuaishou Express. We also incurred promotion and advertising expenses as we expand into adjacent businesses such as online marketing services and e-commerce, and overseas markets. Our marketing expenses for Kuaishou Express and our other products and services, as well as our brand marketing campaign expenses, including expenses relating to our nationwide marketing campaign, accounted for a significant portion of our promotion and advertising expenses in 2019 and the nine months ended September 30, 2020. As a result, we experienced significant increase in our user base and user engagement, as well as enriched content and service offerings in our ecosystem. For example, the average DAUs on Kuaishou App increased from 175.6 million in 2019 to 262.4 million in the nine months ended September 30, 2020. In August 2020, in just one year from its official launch, the average DAUs on Kuaishou Express exceeded 100 million. Our average daily time spent per DAU on Kuaishou App increased by more than ten minutes from 74.6 minutes in 2019 to 86.3 minutes in the nine

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months ended September 30, 2020. For details about the underlying reasons for the increase in our selling and marketing expenses during the Track Record Period, see “Business — Business Sustainability.”

On the basis of the historical growth in user base and user engagement and the increase in brand awareness driven by our increased investment in selling and marketing efforts, we believe we will be able to further grow and diversify our revenues and increase operating leverage, and the growth of user base and user engagement will benefit the overall virtuous cycle of our ecosystem and improve the monetization potential of our platform. In addition, we believe that our brand marketing campaigns would increase our brand recognition, which, together with our user acquisition and retention efforts, would in turn increase the attractiveness of our platform in the long run.

We expect our selling and marketing expenses will continue to grow in absolute amounts as we continue to grow our use base and user engagement, as well as enhance our brand awareness in the foreseeable future. However, we expect our selling and marketing expenses as a percentage of our revenues to decrease as we continue to grow and diversify our revenues, achieve greater operating efficiency and economies of scale.

Administrative Expenses

Our administrative expenses primarily consist of employee benefit expenses for our administrative personnel.

The following table sets forth the components of our administrative expenses in absolute amounts and as percentages of our total revenues for the periods indicated, respectively:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Employee benefit expenses	179,433	2.2	361,575	1.8	563,469	1.4	379,441	1.4	680,674	1.7
Other administrative expenses	48,535	0.5	180,842	0.9	301,906	0.8	193,233	0.7	400,673	1.0
Total	227,968	2.7	542,417	2.7	865,375	2.2	572,674	2.1	1,081,347	2.7

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Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses for our research and development personnel and (ii) depreciation and amortization costs. During the Track Record Period, we expensed all research and development expenses as incurred and did not capitalize research and development expenses.

The following table sets forth the components of our research and development expenses in absolute amounts and as percentages of our total revenues for the periods indicated, respectively:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Employee benefit expenses	442,711	5.3	1,589,092	7.8	2,663,501	6.8	1,872,771	6.9	3,759,995	9.2
Depreciation of property and equipment and right-of-use assets, and amortization of intangible assets	12,478	0.1	51,163	0.3	94,119	0.2	64,324	0.2	104,491	0.3
Other research and development expenses	21,429	0.2	115,069	0.5	186,657	0.5	112,469	0.4	253,421	0.6
Total	476,618	5.6	1,755,324	8.6	2,944,277	7.5	2,049,564	7.5	4,117,907	10.1

Other Income

Other income primarily comprises government grants and VAT subsidies. Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and we comply with all the conditions attached to the grant.

Other Gains/(Losses), Net

Our other gains/(losses), net primarily include net fair value gains/(losses) on financial assets at fair value through profit or loss of wealth management products and investments in listed and unlisted entities, net foreign exchange gains/(losses), donations and others.

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Finance Income/(Expense), Net

Finance income/(expense), net primarily comprises of finance income net of finance expense. Finance income includes interest income from bank deposits, and finance expense includes interest expense from lease liabilities and transaction costs directly attributable to our financings through issuance of convertible redeemable preferred shares.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares represent changes in the fair value of the convertible redeemable preferred shares issued by our Company. For the years ended December 31, 2017, 2018 and 2019 and in the nine months ended September 30, 2019 and 2020, our fair value changes of convertible redeemable preferred shares were RMB20.5 billion, RMB11.9 billion, RMB19.9 billion, RMB2.9 billion and RMB89.2 billion, respectively.

TAXATION

In 2017, 2018 and 2019 and the nine months ended September 30, 2019, we had income tax expenses of RMB104.4 million, RMB28.2 million, RMB386.1 million and RMB396.9 million, respectively. In the nine months ended September 30, 2020, we had income tax benefits of RMB747.6 million. The fluctuations in income tax (expenses)/benefits were primarily due to the fluctuations in enacted tax rates in relation to the preferential tax treatments received by our PRC entities, changes in loss before income tax, and the recognition of deferred tax assets and liabilities for losses and gains to be carried forward. For more details, see “— Taxation — PRC” in this section. As of the Latest Practicable Date, we did not have any disputes with any tax authority.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, the BVI, Hong Kong and the PRC, which we believe are significant.

Cayman Islands

We are incorporated as an exempted company with limited liability under the Companies Act and are not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

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BVI

Our subsidiaries established under the International Business Companies Act of the BVI are not subject to tax on their income or capital gains.

Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, a two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

PRC

Our PRC subsidiaries, and controlled entities and their subsidiaries were subject to statutory tax rate of 25% on the assessable profits for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 based on the existing legislation, interpretation and practices in respect thereof and under the EIT Laws which are effective from January 1, 2008, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy.

Beijing Dajia, our WFOE, became accredited as a high and new technology enterprise enabling it to enjoy a preferential tax rate of 15% commencing from 2017. In addition, Beijing Dajia was granted as “software enterprise,” which entitled it to an income tax exemption for two years beginning with its first profitable year and a 50% reduction to a rate of 12.5% for the subsequent three years. The tax exemption under “software enterprise” for Beijing Dajia was obtained in May 2018 with retroactive application since 2017. Accordingly, Beijing Dajia preliminarily used the tax rate of 15% on its estimated assessable profits for the year ended December 31, 2017, and then made an equivalent reversal in 2018. In 2020, Beijing Dajia also obtained the qualification of “key national software enterprise” which entitled it to a further reduced preferential income tax rate of 10% starting from 2019, subject to annual assessment by relevant authorities. Due to the uncertainty to obtain the qualification, Beijing Dajia accrued income tax expenses by applying the preferential tax rate of 12.5% in 2019 and a reversal was made in the second quarter of 2020 for the change in enacted tax rate as the uncertainty was eliminated then.

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According to the relevant laws and regulations promulgated by the SAT that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expense so incurred as tax deductible expense when determining their assessable profit for that year (“**Super Deduction**”). The SAT announced in September 2018 that enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018. We have made our best estimate for the Super Deduction to be claimed for our entities in ascertaining their assessable profits during the year.

Under the EIT Laws, beginning January 1, 2008, distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor.

We do not have any plan in the foreseeable future to require our subsidiaries in the PRC to distribute their retained earnings, and intend to retain them to operate and expand our business in the PRC. Accordingly, no deferred income tax liability related to withholding tax on undistributed earnings was accrued as of December 31, 2017, 2018, 2019 and September 30, 2020.

BUSINESS COMBINATIONS

During the Track Record Period, we have grown organically and by acquiring other businesses, some of which have been accounted for as business combinations. See “— Critical Accounting Policies and Estimates — Business Combinations” in this section and Notes 2 and 33 to the Accountant’s Report in Appendix I to this prospectus for a description of the accounting treatment of our business combinations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified the accounting policies that we believe are the most significant to the preparation of our consolidated financial statements. Some of our critical accounting policies involve subjective assumptions and estimates and complex judgments by our management relating to accounting items. Our significant accounting policies are set out in detail in the Accountant’s Report in Appendix I to this prospectus.

The estimates and associated assumptions, which we believe are reasonable under the circumstances, are based on our historical experience and other factors, and form the basis of our judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity

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of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in future periods, and as a result, actual results could differ from those estimates.

Revenue Recognition

We derive revenues from sales of virtual items on our live streaming platform, online marketing services and other services. We recognize revenue when or as the control of the promised goods or services is transferred to a customer, net of VAT, rebates and certain sales incentives. If control of the 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 transaction price to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers.

Determining whether we are acting as a principal or as an agent when third-party is involved in the provision of certain services to our customers requires judgment and consideration of all relevant facts and circumstances. In the evaluation of our role as a principal or agent, we consider factors to determine whether we control the specified goods or service before transferred to the customer, which include but are not limited to the following: (a) whether we are primarily responsible for fulfilling the contract, (b) whether we are subject to inventory risk and (c) whether we have discretion in establishing prices.

The following sets forth the accounting policies for revenue from live streaming, online marketing services and other services. See Note 2 to the Accountant's Report in Appendix I to this prospectus for more details.

Live streaming

We operate and maintain mobile platforms where users can enjoy live stream performances provided by streamers and interact with them on a real-time basis for free. We operate a virtual item system, under which viewers can purchase virtual items and present them as gifts to streamers to show their support and appreciation. We generate revenue from the sales of virtual items on the platform and the viewers are our customers. We produce and deliver the virtual items. Sales of virtual items are recognized as revenue when the virtual items are gifted by viewers to the streamers as we have no more obligations related to virtual items once they are gifted to the streamers. The proceeds received from the sales of virtual items before they are gifted by viewers to the streamers are recorded as advances from customers.

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In order to attract streamers to the platforms, we share revenue with the streamers in accordance with our agreements with them.

We have evaluated and concluded that we are the principal for the sales of the virtual items on the platforms. We produce and control the virtual items before they are transferred to customers and we set the prices of virtual items. Therefore, revenue from the sales of virtual items is recorded on a gross basis and the revenue sharing to streamers based on the predetermined percentage in the agreements is recognized as “cost of revenues” in the consolidated income statements.

Online marketing services

We offer diversified online marketing solutions including advertising services, Kuaishou fans headline services and other marketing services to customers. We provide rebates to customers including advertising agencies based on contracted rebate rates and estimated revenue volume, which are accounted for as variable consideration and are estimated by applying the most likely amount method. Revenue is recognized based on the price charged to customers, net of rebates provided to the customers.

To fulfill contracts with certain customers, we enter into cooperation agreements with third-party platforms and place our customers’ advertisements on those third-party platforms. For the services mentioned below, we are the principal for fulfilling these marketing service contracts as we have obtained controls over the third-party platform services through cooperation contracts and, in some cases, have integrated such services with other services before they are transferred to our customers. We are also primarily responsible for fulfilling these marketing services as we are the only party that our customers entered into agreements with. As such, we recognize revenue from contracts with customers on a gross basis and records charges from third-party platforms as cost of revenues.

Advertising services

Performance-based advertising services

We provide performance-based advertising services which allow advertising customers to place links on our mobile platforms or third-party internet properties. Performance-based advertising services are primarily presented and delivered via short videos with clickable thumbnails together with other recommended short videos or displayed between other short videos at variant frequency. We charge fees to advertising customers based on active clicks. We have determined that each click represents one performance obligation. In this model, revenue is recognized when the user clicks on the customer-sponsored links.

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Display-based advertising services

Display-based advertisements appear in the form of opening-page splash advertisements, traditional banner ads, logos and sponsored filters, etc. on various interfaces of the platform. The revenue is recognized ratably over the period that the advertising is displayed. Generally, the terms of these display-based advertisements are for short terms.

Kuaishou fans headline services

We also provide Kuaishou fans headline services where the customers pay for exposure of their short videos or live streaming sessions to a targeted number of viewers for a specified period of time on Kuaishou App. We have determined that each exposure to a target viewer for a specified period of time represents one performance obligation. Revenue from each exposure performance obligation is recognized over the contracted exposure time which is generally very short.

Other services

Other services revenue primarily includes revenue from the e-commerce business, online games and other value-added services. For the e-commerce business, we allow merchants to promote and sell goods on our platform and charges commissions on the sales of goods completed through our platform based on agreed commission rates. We do not take controls of goods sold through our platform. Commission revenue related to e-commerce business are recognized at a point in time when the sale transaction of goods is completed. For online games and other value-added services, revenue is recognized when we have satisfied the performance obligations under the service contracts.

Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred; liabilities incurred to the former owners of the acquired business; equity interests issued by our Group; the fair value of any asset or liability resulting from a contingent consideration arrangement; and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is

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recorded as goodwill. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from such remeasurement is recognized in profit or loss.

Under the acquisition method, the determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. We determine discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected lives of assets, the forecasted life cycles and forecasted cash flows over that period. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

- Servers, computers and equipment 3 years
- Office equipment 3-5 years
- Leasehold improvements the shorter of the term of the lease or the estimated useful lives of the assets

Property and equipment arising from business acquisition is depreciated over the remaining useful life. The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of property and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses), net" in our consolidated income statements.

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Leases

Our Group, as a lessee, leases internet data centers and office buildings. Lease contracts are typically made for fixed periods of several months to five years. Lease is recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by our Group.

Contracts may contain both lease and non-lease components. Our Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. We use the incremental borrowing rate, for the implicit rate cannot be readily determined, which is the rate that our Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate purchase consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. As of December 31, 2017, 2018 and 2019 and September 30, 2020, goodwill included in intangible assets accounted for nil, RMB816.1 million, RMB837.0 million and RMB837.0 million, respectively.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. The carrying value of the CGUs containing goodwill is compared to the recoverable amount, which is the higher of value in use and the sale value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Such groups of CGUs represent our lowest level for which the goodwill is monitored for internal management purpose. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by our management for recent years with a terminal value related to the future cash flows extrapolated using the estimated growth rates. We believe that it is appropriate to cover six years in our cash flow projections according to the approved budget, because it captures the development stage of our businesses during which we expect to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by us. Our management leveraged their extensive experience in the industries and provided forecasts based on past performance and their expectation of future business plans and market developments.

Impairment review of our goodwill was conducted by our management as of December 31, 2018 and 2019 according to IAS 36 “Impairment of assets.” Our management forecasted the average annual revenue growth rate for six years to be 17% to 21%, and the cash flows beyond the aforementioned period were extrapolated using an estimated annual growth rate of 3%. A pre-tax discount rate from 22% to 26% was used to reflect market assessment of time value and the specific risks relating to the CGU.

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We determined that we only had one CGU during the Track Record Period. Based on the result of goodwill impairment testing, the estimated headroom was approximately RMB70.2 billion, RMB96.8 billion and RMB248.0 billion as of December 31, 2018 and 2019 and September 30, 2020, respectively. As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of goodwill as of December 31, 2018, 2019 and September 30, 2020, respectively. Management forecasted the average annual revenue growth rate for six years was 34% and the cash flows beyond the aforementioned period were extrapolated using the estimated annual growth rate of 3%. Pre-tax discount rate of 20% was used to reflect market assessment of time value and the specific risks relating to the CGU.

Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets including property and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Current and deferred income tax

We are subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences or tax losses are recognized when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. As of September 30, 2020, we did not recognize deferred tax assets of RMB716.4 million in respect of cumulative tax losses, that can be carried forward against future taxable income. The outcome of their actual utilization may be different from management's estimation.

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Share-based Compensation

On December 22, 2014, our Board approved the establishment of the Pre-IPO ESOP with the purpose of attracting, motivating, retaining and rewarding key employees, Directors and other eligible persons. The Pre-IPO ESOP is valid and effective for 10 years from the approval of our Board.

The fair value of options granted under the Pre-IPO ESOP 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 on the grant date by using binomial option-pricing models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, using graded vesting method. At the end of each period, we revise our estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Significant estimates and assumptions, including forfeiture rate, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the Directors and third-party valuer. See Note 27 to the Accountant's Report in Appendix I to this prospectus.

In 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, our share-based compensation expenses were RMB296.5 million, RMB701.6 million, RMB742.3 million, RMB564.0 million and RMB977.1 million, respectively.

Convertible Redeemable Preferred Shares

Convertible redeemable preferred shares issued by our Company are redeemable at the option of the holders upon occurrence of certain events. These instruments can also be converted into our ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering of our Company. See Note 32(b) to Appendix I to this prospectus.

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We designated our convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss. Fair value changes relating to market risk are recognized in profit or loss, and the component of fair value changes relating to our own credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income relating to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when they are realized.

The convertible redeemable preferred shares are not traded in an active market and their fair value is determined using valuation techniques. We applied the discounted cash flow method to determine the underlying equity value of our Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions, such as discount rate, risk-free interest rate, lack of marketability discount and volatility, as well as the probability weight among the timing of the liquidation, redemption or initial public offering event scenarios based on our best estimates. See Note 32 to the Accountant's Report in Appendix I to this prospectus.

Our convertible redeemable preferred shares are classified as non-current liabilities unless holders of the convertible redeemable preferred shares can demand us to redeem the convertible redeemable preferred shares within 12 months after the end of the reporting period.

Estimation of the Fair Value of the Level 3 Financial Instruments

Our Level 3 instruments include investments in unlisted entities and wealth management products measured at fair value through profit or loss, and convertible redeemable preferred shares issued by our Company. As these instruments are not traded in active markets, their fair values have been determined by using applicable valuation techniques.

In relation to the valuation of our level 3 financial assets and liabilities, our Directors adopted the following procedures: (i) reviewed the terms of investment agreements, terms of wealth management products and subscription agreements for preferred shares; (ii) engaged independent and competent third-party valuers to appraise the fair value of unlisted equity securities and convertible redeemable preferred shares, and performed valuation assessments for wealth management products based on their expected returns; (iii) considered and discussed the financial and operating data, as well as the development and the business plans of the investees; (iv) reviewed and agreed on the valuation approaches adopted and key assumptions and inputs used, including expected volatility, discount rate, risk-free interest rate, lack of marketability discount and volatility, as well as the probability weight among different scenarios including liquidation, redemption and initial public offering; and (v) reviewed the valuation working papers

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and results prepared by the valuers. Based on the above procedures, our Directors are of the view that the valuation analysis performed by us is fair and reasonable, and the fair value measurements of level 3 financial assets and liabilities in our financial statements are properly prepared.

Details of the fair value measurement of level 3 financial assets and liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements, are disclosed in note 3.3(c) to the Historical Financial Information of our Company for the Track Record Period as set out in the Accountant's Report set forth in Appendix I to this prospectus prepared by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circularity" issued by the Hong Kong Institute of Certified Public Accountants. The historical financial information in the Accountant's Report gives a true and fair view of the financial position of our Group as well as our financial performance and cash flows for the Track Record Period as a whole.

In relation to the valuation of our level 3 financial assets and liabilities, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountant's Report set forth in Appendix I to this prospectus; (ii) discussed with us to understand (a) the procedures performed for such valuation, (b) the key factors, valuation methodologies, and key assumptions taken into account by us as advised by our external valuers, and (c) the internal control process undertaken by us for reviewing the relevant valuation; (iii) review of the professional qualification and previous experience of the external valuers engaged by us through desktop search; and (iv) discussed with the Reporting Accountant on its work performed in this regard. Having considered the work done by the Directors and Reporting Accountant and the relevant due diligence done as stated above, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the views of the Directors and the Reporting Accountant in respect of the valuation of level 3 financial instrument.

New and Amended Standards Adopted by Us

All effective standards, amendments to standards and interpretations that are required to be applied for the financial year beginning on January 1, 2020 are consistently applied for the Track Record Period, except for IFRS 9 — Financial Instruments ("**IFRS 9**"). IFRS 9 is mandatorily effective and applied by us for financial year beginning on January 1, 2018. In preparation of our historical financial information, we have adopted IFRS 15 — Revenue from Contracts with Customers ("**IFRS 15**") and IFRS 16 — Leases ("**IFRS 16**") consistently throughout the Track Record Period.

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IFRS 9

Before adoption of IFRS 9, impairment of financial assets were assessed on a group basis. The credit period granted to the customers was usually not more than 90 days and the credit quality of these customers were assessed, taking into account their financial position, past performance and other factors. Provisions were made for past due balances when our management considers the loss from the customers is likely. Upon the adoption of IFRS 9 on January 1, 2018, there was no change on the classifications of categories of our financial assets, and the impact on the adoption of the new IFRS 9 expected credit loss model on trade and other receivables was not material to the opening retained earnings on January 1, 2018. Therefore, the application of IFRS 9 did not have significant impact on our financial position and performance compared to the requirement of IAS 39. Set out below are the areas that have been affected after adoption of IFRS 9.

Trade receivables

We applied the simplified approach of IFRS 9 commencing January 1, 2018 to measure expected credit losses under which the lifetime expected credit losses for all trade receivables are estimated. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and credit rating. The expected loss rates are based on the historical payment profiles, historical loss rates and data published by external credit rating institutions, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Other receivables (including loan receivables)

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

Others

While cash and cash equivalents, time deposits and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

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IFRS 15 and IFRS 16

We adopted a full retrospective application of IFRS 15, which have been applied on a consistent basis throughout the Track Record Period. Based on our assessment, our Directors concluded that the adoption of IFRS 15 did not have any significant impact on our financial position and performance during the Track Record Period.

We lease internet data centers and office buildings. We applied the lessee accounting requirements of IFRS 16 retrospectively and consistently during the Track Record Period. Under IFRS 16, leases, which were previously classified as “operating leases” under IAS 17, are recognised as right-of-use assets and corresponding lease liabilities at the date of which the leased assets are available for use by us. Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liabilities of each period. The right-of-use assets are depreciated over the lease term on a straight-line basis. Therefore, compared with IAS 17, the application of IFRS 16 did not have significant impact on our key financial ratios (e.g. gearing ratio, current ratio and quick ratio, etc.) and performance (i.e., net loss). However, the application of IFRS 16 had significant impact on the total assets and total liabilities due to the recognition of right-of-use assets and corresponding lease liabilities.

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RESULTS OF OPERATIONS

The following table sets forth our consolidated income statements, both in absolute amounts and as percentages of our total revenues, for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
	(unaudited)									
Revenues	8,339,578	100.0	20,300,645	100.0	39,120,348	100.0	27,267,968	100.0	40,677,441	100.0
Cost of revenues	(5,728,748)	(68.7)	(14,498,423)	(71.4)	(25,016,774)	(63.9)	(17,798,136)	(65.3)	(25,366,636)	(62.4)
Gross profit	2,610,830	31.3	5,802,222	28.6	14,103,574	36.1	9,469,832	34.7	15,310,805	37.6
Selling and marketing expenses	(1,359,624)	(16.4)	(4,262,046)	(21.0)	(9,865,026)	(25.2)	(5,578,609)	(20.5)	(19,833,271)	(48.8)
Administrative expenses	(227,968)	(2.7)	(542,417)	(2.7)	(865,375)	(2.2)	(572,674)	(2.1)	(1,081,347)	(2.7)
Research and development expenses	(476,618)	(5.6)	(1,755,324)	(8.6)	(2,944,277)	(7.5)	(2,049,564)	(7.5)	(4,117,907)	(10.1)
Other income	19,290	0.2	107,575	0.5	292,631	0.7	183,139	0.7	396,151	1.0
Other gains/(losses), net	42,041	0.5	129,277	0.6	(32,843)	(0.1)	211,180	0.8	383,141	1.0
Operating profit/(loss)	607,951	7.3	(520,713)	(2.6)	688,684	1.8	1,663,304	6.1	(8,942,428)	(22.0)
Finance (expense)/income, net	(26,076)	(0.3)	52,164	0.3	(11,037)	(0.0)	6,284	0.0	(26,571)	(0.1)
Fair value changes of convertible redeemable preferred shares	(20,522,376)	(246.1)	(11,932,515)	(58.8)	(19,943,114)	(51.0)	(2,890,090)	(10.6)	(89,150,056)	(219.1)
Loss before income tax	(19,940,501)	(239.1)	(12,401,064)	(61.1)	(19,265,467)	(49.2)	(1,220,502)	(4.5)	(98,119,055)	(241.2)
Income tax (expenses)/benefits	(104,449)	(1.3)	(28,221)	(0.1)	(386,067)	(1.0)	(396,943)	(1.4)	747,593	1.8
Loss for the year/period attributable to the equity holders of the Company	(20,044,950)	(240.4)	(12,429,285)	(61.2)	(19,651,534)	(50.2)	(1,617,445)	(5.9)	(97,371,462)	(239.4)
Non-IFRS Measures:										
Adjusted net profit/(loss) (unaudited) ⁽¹⁾	773,961	9.3	204,831	1.0	1,033,883	2.6	1,836,684	6.7	(7,244,319)	(17.8)
Adjusted EBITDA (unaudited) ⁽²⁾	1,019,986	12.2	1,360,473	6.7	3,591,370	9.2	3,594,790	13.2	(4,543,362)	(11.2)

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Notes:

- (1) Adjusted net profit/(loss) is a non-IFRS measure. We define “adjusted net profit/(loss)” as loss for the year or period adjusted by adding back share-based compensation expenses and fair value changes of convertible redeemable preferred shares. Adjusted net profit/(loss) is not a measure required by, or presented in accordance with, IFRS. The use of adjusted net profit/(loss) has limitations as an analytical tool, and you should not consider it in isolation from, as a substitute for analysis of, or superior to, our results of operations or financial condition as reported under IFRS. For more details, see “— Non-IFRS Measures” in this section.
- (2) Adjusted EBITDA is a non-IFRS measure. We define “adjusted EBITDA” as adjusted net profit/(loss) for the year or period adjusted by adding back income tax expenses/(benefits), depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, and finance expense/(income), net. Adjusted EBITDA is not a measure required by, or presented in accordance with IFRS. The use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, or superior to, our results of operations or financial condition as reported under IFRS. For more details, see “— Non-IFRS Measures” in this section.

NON-IFRS MEASURES

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we use adjusted net profit/(loss) and adjusted EBITDA as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating the potential impact of items that our management does not consider to be indicative of our operating performance, such as certain non-cash items. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies. Our presentation of these non-IFRS measures should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

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The following table sets forth a reconciliation of our non-IFRS financial measures for the years ended December 31, 2017, 2018 and 2019 and for the nine months ended September 30, 2019 and 2020 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>(in RMB thousands)</i>			(unaudited)	
Loss for the year/period attributable to the equity holders of the Company	(20,044,950)	(12,429,285)	(19,651,534)	(1,617,445)	(97,371,462)
Add:					
Share-based compensation expenses ⁽¹⁾	296,535	701,601	742,303	564,039	977,087
Fair value changes of convertible redeemable preferred shares ⁽²⁾ . . .	20,522,376	11,932,515	19,943,114	2,890,090	89,150,056
Adjusted net profit/(loss) (unaudited)⁽³⁾	773,961	204,831	1,033,883	1,836,684	(7,244,319)
	<i>(in RMB thousands)</i>			(unaudited)	
	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
Adjusted net profit/(loss) (unaudited)⁽³⁾	773,961	204,831	1,033,883	1,836,684	(7,244,319)
Add:					
Income tax expenses/(benefits)	104,449	28,221	386,067	396,943	(747,593)
Depreciation of property and equipment	84,186	828,980	1,405,313	906,771	2,174,192
Depreciation of right-of-use assets . .	24,085	325,831	692,228	418,679	1,157,218
Amortization of intangible assets . .	7,229	24,774	62,842	41,997	90,569
Finance expense/(income), net	26,076	(52,164)	11,037	(6,284)	26,571
Adjusted EBITDA (unaudited)⁽³⁾ . .	1,019,986	1,360,473	3,591,370	3,594,790	(4,543,362)

Notes:

- (1) Share-based compensation expenses mainly represent share-based compensation expenses incurred in connection with our Pre-IPO Share Option Scheme. Share-based compensation expenses are not expected to result in future cash payments and are not indicative of our core operating results.

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- (2) Fair value changes of convertible redeemable preferred shares represent changes in the fair value of the convertible redeemable preferred shares issued by our Company and relate to changes in the valuation of our Company. Fair value changes of the convertible redeemable preferred shares are not directly related to our ability to generate revenue from our daily operations, and we do not expect to record any further fair value changes of the convertible redeemable preferred shares as such convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing.
- (3) A non-IFRS measure.

By excluding primarily the fair value changes of convertible redeemable preferred shares of RMB89.2 billion from our net loss of RMB97.4 billion in the nine months ended September 30, 2020, our adjusted net loss of RMB7.2 billion in the same period was mainly due to our strategic decision to invest more in selling and marketing efforts to continue to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem. Our adjusted EBITDA of negative RMB4.5 billion in the nine months ended September 30, 2020 was largely due to the aforementioned reasons.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

Revenues

Our revenues increased by 49.2% from RMB27.3 billion in the nine months ended September 30, 2019 to RMB40.7 billion in the nine months ended September 30, 2020. The increase was primarily attributable to our live streaming business and online marketing services.

Live streaming

Revenue from our live streaming business increased by 10.4% from RMB22.9 billion in the nine months ended September 30, 2019 to RMB25.3 billion in the nine months ended September 30, 2020, primarily due to the increase in the number of our paying users attributable to the growth in our user base, with average MPUs for live streaming growing from 48.5 million in the nine months ended September 30, 2019 to 59.9 million in the nine months ended September 30, 2020.

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Online marketing services

Revenue from our online marketing services increased by 212.7% from RMB4.3 billion in the nine months ended September 30, 2019 to RMB13.3 billion in the nine months ended September 30, 2020, primarily attributable to the growth in our user base which attracted more online marketing customers and improved effectiveness of our online marketing services driven by our strong AI and big data capabilities.

Other services

Revenue from our other services increased by more than 24 fold from RMB78.3 million in the nine months ended September 30, 2019 to RMB2.0 billion in the nine months ended September 30, 2020, primarily due to the growth of our e-commerce business.

Cost of revenues

Our cost of revenues increased by 42.5% from RMB17.8 billion in the nine months ended September 30, 2019 to RMB25.4 billion in the nine months ended September 30, 2020, primarily attributable to (i) an increase in revenue sharing to streamers and related taxes along with the growth of our live streaming business, (ii) increases in bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, and amortization of intangible assets in line with an increase in user traffic attributable to the enlarged user base and the growth of our business, and (iii) an increase in other cost of revenues by 238% from RMB953.2 million to RMB3.2 billion primarily due to an increase in employee benefit expenses as a result of increasing the headcount of employees to support our business growth and an increase in other services cost in line with the expansion of our online marketing services.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 61.7% from RMB9.5 billion in the nine months ended September 30, 2019 to RMB15.3 billion in the nine months ended September 30, 2020. Our gross profit margin increased from 34.7% in the nine months ended September 30, 2019 to 37.6% in the nine months ended September 30, 2020, mainly because our cost of revenues decreased as a percentage of our total revenues from 65.3% in the nine months ended September 30, 2019 to 62.4% in the corresponding period in 2020 primarily due to a decrease in our revenue sharing to streamers and related taxes as a percentage of our total revenues, as our live streaming revenue decreased as a percentage of our total revenues due to the expansion and growth of our other business lines such as online marketing services and e-commerce business.

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Selling and marketing expenses

Our selling and marketing expenses increased by 255.5% from RMB5.6 billion in the nine months ended September 30, 2019 to RMB19.8 billion in the nine months ended September 30, 2020, primarily due to increases in marketing, brand promotion and advertising activities. Our marketing, brand promotion and advertising expenses in this period mainly included user acquisition and maintenance costs and expenses associated with our brand marketing campaigns. The increase in brand promotion and advertising expenses in the nine months ended September 30, 2020 was primarily attributable to our marketing expenses for promoting Kuaishou Express and our other apps and an increase in our brand marketing campaign expenses.

Administrative expenses

Our administrative expenses increased by 88.8% from RMB572.7 million in the nine months ended September 30, 2019 to RMB1.1 billion in the nine months ended September 30, 2020, primarily due to an increase in employee benefits expenses as a result of an increase in the headcount of administrative personnel to support our business growth.

Research and development expenses

Our research and development expenses increased by 100.9% from RMB2.0 billion in the nine months ended September 30, 2019 to RMB4.1 billion in the nine months ended September 30, 2020, primarily due to an increase in employee benefit expenses attributable to a significant increase in the number of research and development personnel as we continue to invest in AI, big data and other advanced technologies.

Other income

Our other income increased by 116.3% from RMB183.1 million in the nine months ended September 30, 2019 to RMB396.2 million in the nine months ended September 30, 2020, primarily due to more VAT subsidies in the nine months ended September 30, 2020 as compared to the same period in 2019.

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Other gains/(losses), net

Our other gains, net increased by 81.4% from RMB211.2 million in the nine months ended September 30, 2019 to RMB383.1 million in the nine months ended September 30, 2020, primarily due to increases in the net fair value gains on financial assets at fair value through profit or loss of wealth management products and investments in listed and unlisted entities, partially offset by charitable donations. In January 2020, we made RMB100.0 million of charitable donations in response to the COVID-19 outbreak.

Operating profit/(loss)

As a result of the foregoing, we had an operating profit of RMB1.7 billion and an operating margin of 6.1% in the nine months ended September 30, 2019 and an operating loss of RMB8.9 billion and a negative operating margin of 22.0% in the nine months ended September 30, 2020. Our operating loss of RMB8.9 billion in the nine months ended September 30, 2020 was primarily attributable to the increased selling and marketing expenses as a percentage of our total revenues to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem.

Finance income/(expense), net

Our finance income, net was RMB6.3 million in the nine months ended September 30, 2019, primarily attributable to interest income from bank deposits, which was partially offset by interest expense from lease liabilities. Our finance expense, net was RMB26.6 million in the nine months ended September 30, 2020, primarily attributable to interest expense from lease liabilities, which was partially offset by interest income from bank deposits. The interest expense from lease liabilities was in connection with the leasing of internet data centers to host additional servers to meet the growth of our user base and the leasing of office buildings.

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares were negative RMB2.9 billion in the nine months ended September 30, 2019, and negative RMB89.2 billion in the nine months ended September 30, 2020, primarily due to changes in the valuation of our Company. See Note 32 to the Accountant's Report in Appendix I to this prospectus for details regarding the change in fair value of convertible redeemable preferred shares.

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Loss before income tax

As a result of the foregoing, we had a loss before income tax of RMB1.2 billion and RMB98.1 billion in the nine months ended September 30, 2019 and 2020, respectively.

Income tax (expenses)/benefits

We incurred income tax expenses of RMB396.9 million in the nine months ended September 30, 2019. We had an income tax benefit of RMB747.6 million in the nine months ended September 30, 2020. The income tax benefit in the nine months ended September 30, 2020 was primarily due to the recognition of deferred tax assets attributable to the net losses incurred by certain subsidiaries and promotion and advertising expenses in excess of deductible limit. Furthermore, a reversal was made in the second quarter of 2020 for the change in enacted tax rate as the uncertainty in the qualification of key national software enterprise was eliminated then. See “— Taxation — PRC” in this section.

Loss for the period attributable to the equity holders of the Company

As a result of the foregoing, our loss attributable to the equity holders of the Company was RMB1.6 billion in the nine months ended September 30, 2019 and RMB97.4 billion in the nine months ended September 30, 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues

Our revenues increased by 92.7% from RMB20.3 billion in 2018 to RMB39.1 billion in 2019. The increase was primarily attributable to increases in revenue generated from our live streaming business and online marketing services.

Live streaming

Revenue from our live streaming business increased by 68.9% from RMB18.6 billion in 2018 to RMB31.4 billion in 2019, primarily due to the increase in the number of our paying users attributable to the growth in our user base, with average MPUs for live streaming growing from 28.3 million in 2018 to 48.9 million in 2019.

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Online marketing services

Revenue from our online marketing services increased by 345.5% from RMB1.7 billion in 2018 to RMB7.4 billion in 2019, primarily attributable to (i) the growth in our user base which attracted more online marketing customers and (ii) improved effectiveness of our online marketing services driven by our strong AI and big data capabilities.

Other services

Revenue from our other services increased by 1,170.8% from RMB20.4 million in 2018 to RMB259.5 million in 2019, primarily due to the growth of our e-commerce business.

Cost of revenues

Our cost of revenues increased by 72.5% from RMB14.5 billion in 2018 to RMB25.0 billion in 2019, primarily attributable to (i) an increase in revenue sharing to streamers and related taxes due to the growth of our live streaming business, (ii) increases in bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, and amortization of intangible assets in line with an increase in user traffic attributable to the enlarged user base and the growth of our business, and (iii) an increase in other cost of revenues primarily due to an increase in employee benefit expenses as a result of increasing the headcount of employees to support our business growth, an increase in other services cost in line with the expansion of our online marketing services, and an increase in tax surcharges.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 143.1% from RMB5.8 billion in 2018 to RMB14.1 billion in 2019. Our gross profit margin increased from 28.6% in 2018 to 36.1% in 2019, mainly because our cost of revenues decreased as a percentage of our total revenues from 71.4% in 2018 to 63.9% in 2019 primarily due to a decrease in our revenue sharing to streamers and related taxes as a percentage of our total revenues, as our live streaming revenue decreased as a percentage of our total revenues due to the expansion and growth of our other business lines such as online marketing services.

FINANCIAL INFORMATION

Selling and marketing expenses

Our selling and marketing expenses increased by 131.5% from RMB4.3 billion in 2018 to RMB9.9 billion in 2019, primarily due to increases in our marketing, brand promotion and advertising activities. The increase in brand promotion and advertising expenses in 2019 was primarily attributable to our marketing expenses for promoting Kuaishou Express and our other apps and an increase in our brand marketing campaign expenses.

Administrative expenses

Our administrative expenses increased by 59.5% from RMB542.4 million in 2018 to RMB865.4 million in 2019, primarily due to an increase in employee benefits expenses as a result of an increase in the headcount of administrative personnel to support our business growth.

Research and development expenses

Our research and development expenses increased by 67.7% from RMB1.8 billion in 2018 to RMB2.9 billion in 2019, primarily due to an increase in employee benefit expenses attributable to a significant increase in the number of research and development personnel to keep our technology innovation in AI, big data and other technologies.

Other income

Our other income increased by 172.0% from RMB107.6 million in 2018 to RMB292.6 million in 2019, primarily due to an increase in VAT subsidies.

Other gains/(losses), net

We had other gains, net of RMB129.3 million in 2018, and other losses, net of RMB32.8 million in 2019. The change from gains to losses was primarily due to the net fair value losses on financial assets at fair value through profit or loss of our investments in unlisted entities, partially offset by net fair value gains on financial assets at fair value through profit or loss of wealth management products.

Operating profit/(loss)

As a result of the foregoing, we had an operating loss of RMB520.7 million and an operating margin of negative 2.6% in 2018, and we had an operating profit of RMB688.7 million and an operating profit margin of 1.8% in 2019.

FINANCIAL INFORMATION

Finance income/(expense), net

We had a finance income, net of RMB52.2 million in 2018, primarily attributable to interest income from bank deposits, which was partially offset by interest expense from lease liabilities. We had a finance expense, net of RMB11.0 million in 2019, primarily attributable to interest expense from lease liabilities, which was partially offset by interest income from bank deposits.

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares were negative RMB11.9 billion in 2018 and negative RMB19.9 billion in 2019, primarily due to changes in the valuation of our Company. See Note 32 to the Accountant's Report in Appendix I to this prospectus for details regarding the change in fair value of convertible redeemable preferred shares.

Loss before income tax

As a result of the foregoing, our loss before income tax increased from RMB12.4 billion in 2018 to RMB19.3 billion in 2019.

Income tax expenses

Our income tax expenses increased from RMB28.2 million in 2018 to RMB386.1 million in 2019. We had lower income tax expenses in 2018 primarily because Beijing Dajia, our WFOE, which initially utilized a tax rate of 15% on its estimated assessable profits in 2017, had an equivalent reversal in 2018 after being eligible for tax exemption as a software enterprise. In 2019, considering the uncertainty to obtain the qualification as a key national software enterprise, Beijing Dajia accrued the income tax expenses by applying the preferential tax rate of 12.5% in 2019 and a reversal was made in the second quarter of 2020 for the change in enacted tax rate as the uncertainty was eliminated then. See “— Taxation — PRC” in this section.

Loss for the year attributable to the equity holders of the Company

As a result of the foregoing, our loss for the year attributable to the equity holders of the Company increased by 58.1% from RMB12.4 billion in 2018 to RMB19.7 billion in 2019.

FINANCIAL INFORMATION

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenues

Our revenues increased by 143.4% from RMB8.3 billion in 2017 to RMB20.3 billion in 2018. The increase was primarily contributed by our live streaming business and online marketing services.

Live streaming

Revenue from our live streaming business increased by 134.2% from RMB7.9 billion in 2017 to RMB18.6 billion in 2018, primarily due to the increase in the number of our paying users, with average MPUs for live streaming growing from 12.6 million in 2017 to 28.3 million in 2018.

Online marketing services

Revenue from our online marketing services increased by 326.3% from RMB390.6 million in 2017 to RMB1.7 billion in 2018, primarily due to an increasing demand for our online marketing services attributable to (i) the growth in our user base which attracted more online marketing customers and (ii) improved effectiveness of our online marketing services driven by our strong AI and big data capabilities.

Cost of revenues

Our cost of revenues increased by 153.1% from RMB5.7 billion in 2017 to RMB14.5 billion in 2018, attributable to (i) an increase in revenue sharing to streamers and related taxes due to the growth of our live streaming business, (ii) increases in bandwidth expenses and server custody costs, depreciation of property and equipment and right-of-use assets, and amortization of intangible assets in line with an increase in user traffic attributable to the enlarged user base and the growth of our business, and (iii) an increase in other cost of revenues primarily due to an increase in employee benefit expenses as a result of increasing the headcount of employees to support our business growth.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 122.2% from RMB2.6 billion in 2017 to RMB5.8 billion in 2018. Our gross profit margin decreased from 31.3% in 2017 to 28.6% in 2018, primarily due to an increase in the depreciation of property and equipment as a percentage of our total revenues, along with an increase in user traffic attributable to the enlarged user base and the growth of our business.

FINANCIAL INFORMATION

Selling and marketing expenses

Our selling and marketing expenses increased by 213.5% from RMB1.4 billion in 2017 to RMB4.3 billion in 2018, primarily due to an increase in our marketing, brand promotion and advertising activities attributable to our increased promotions on pre-installation on mobile phones and our own platform, brand marketing campaigns and the promotion of new product and service offerings.

Administrative expenses

Our administrative expenses increased by 137.9% from RMB228.0 million in 2017 to RMB542.4 million in 2018, primarily due to an increase in employee benefits expenses as a result of an increase in the headcount of administrative personnel to support our business growth.

Research and development expenses

Our research and development expenses increased by 268.3% from RMB476.6 million in 2017 to RMB1.8 billion in 2018, primarily due to an increase in employee benefit expenses attributable to a significant increase in the number of research and development personnel to meet the increasing demand for research and development of AI, big data and video and audio technologies.

Other income

Our other income increased by 457.7% from RMB19.3 million in 2017 to RMB107.6 million in 2018, primarily due to an increase in government grants.

Other gains/(losses), net

Our other gains, net, increased by 207.5% from RMB42.0 million in 2017 to RMB129.3 million in 2018, primarily due to the net fair value gains on financial assets at fair value through profit or loss of wealth management products and investments in listed and unlisted entities.

Operating profit/(loss)

As a result of the foregoing, we had an operating profit of RMB608.0 million and an operating profit margin of 7.3% in 2017, and we had an operating loss of RMB520.7 million in 2018. Our operating loss of RMB520.7 million in 2018 was primarily attributable to the increased selling and marketing expenses as a percentage of our total revenues to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem.

FINANCIAL INFORMATION

Finance income/(expense), net

We had a finance expense, net of RMB26.1 million in 2017, primarily attributable to interest expense from lease liabilities, which was partially offset by interest income from bank deposits. We had a finance income, net of RMB52.2 million in 2018, primarily attributable to interest income from bank deposits, which was partially offset by interest expense from lease liabilities.

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares were negative RMB11.9 billion in 2018, compared to negative RMB20.5 billion in 2017, primarily due to changes in the valuation of our Company. See Note 32 to the Accountant's Report in Appendix I to this prospectus for details regarding the change in fair value of convertible redeemable preferred shares.

Loss before income tax

As a result of the foregoing, our loss before income tax decreased from RMB19.9 billion in 2017 to RMB12.4 billion in 2018.

Income tax expenses

Our income tax expenses decreased from RMB104.4 million in 2017 to RMB28.2 million in 2018, primarily due to the change in enacted tax rate for one of our subsidiaries in the PRC with a preferential tax rate applicable in 2018. See “— Taxation — PRC” in this section.

Loss for the year attributable to the equity holders of the Company

As a result of the foregoing, our loss attributable to the equity holders of the Company for the year decreased by 38.0% from RMB20.0 billion in 2017 to RMB12.4 billion in 2018.

FINANCIAL INFORMATION

ANALYSIS OF SELECTED BALANCE SHEET ITEMS

The following table sets forth information from our consolidated balance sheets as of the dates indicated, which has been extracted from the Accountant's Report in Appendix I to this prospectus:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	<i>(in RMB thousands)</i>			
ASSETS				
Non-current assets				
Property and equipment	1,057,278	2,420,770	6,232,305	7,021,382
Right-of-use assets	865,623	1,272,218	4,352,638	5,394,482
Intangible assets	34,875	1,045,816	1,120,308	1,253,694
Financial assets at fair value through profit or loss	49,200	677,919	2,258,272	3,998,760
Deferred tax assets	7,811	161,920	860,185	2,151,821
Long-term time deposits	—	—	110,000	610,000
Other non-current assets	37,466	117,738	169,594	208,828
	<u>2,052,253</u>	<u>5,696,381</u>	<u>15,103,302</u>	<u>20,638,967</u>
Current assets				
Trade receivables	136,641	129,045	1,107,440	1,812,648
Prepayments, other receivables and other current assets	92,557	724,950	2,032,754	2,179,047
Financial assets at fair value through profit or loss	2,472,037	4,273,517	8,902,270	8,546,045
Short-term time deposits	—	—	1,270,994	10,634,150
Restricted cash	251,893	285,274	1,386	5,253
Cash and cash equivalents	2,688,512	5,370,332	3,996,236	7,703,012
	<u>5,641,640</u>	<u>10,783,118</u>	<u>17,311,080</u>	<u>30,880,155</u>
Total assets	<u>7,693,893</u>	<u>16,479,499</u>	<u>32,414,382</u>	<u>51,519,122</u>

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	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	<i>(in RMB thousands)</i>			
EQUITY AND LIABILITIES				
Equity attributable to the equity holders of the Company				
Share capital	30	30	30	30
Other reserves	1,016,820	(28,397)	(321,281)	4,437,845
Accumulated losses	(23,202,335)	(35,676,115)	(55,407,785)	(152,779,247)
Total equity	(22,185,485)	(35,704,482)	(55,729,036)	(148,341,372)
LIABILITIES				
Non-current liabilities				
Lease liabilities	695,784	892,257	3,287,984	3,945,201
Deferred tax liabilities	—	37,885	37,500	33,589
Convertible redeemable preferred shares	26,652,555	47,211,431	69,444,163	52,389,987
	<u>27,348,339</u>	<u>48,141,573</u>	<u>72,769,647</u>	<u>56,368,777</u>
Current liabilities				
Borrowings	—	—	—	300,000
Accounts payables	1,802,517	2,025,563	9,055,133	10,913,350
Other payables and accruals	271,324	844,619	3,027,568	4,092,739
Advances from customers	190,074	475,553	1,529,608	3,031,158
Income tax liabilities	91,923	198,132	424,414	435,136
Convertible redeemable preferred shares	—	—	—	122,847,844
Lease liabilities	175,201	498,541	1,337,048	1,871,490
	<u>2,531,039</u>	<u>4,042,408</u>	<u>15,373,771</u>	<u>143,491,717</u>
Total liabilities	29,879,378	52,183,981	88,143,418	199,860,494
Total equity and liabilities	<u>7,693,893</u>	<u>16,479,499</u>	<u>32,414,382</u>	<u>51,519,122</u>

FINANCIAL INFORMATION

Working Capital

Net current assets/(liabilities)

We recorded net current assets of RMB3.1 billion, RMB6.7 billion, RMB1.9 billion and RMB9.0 billion as of December 31, 2017, 2018 and 2019 and November 30, 2020, respectively. We recorded net current liabilities of RMB112.6 billion as of September 30, 2020. The following table sets forth our current assets and current liabilities as of the dates indicated, respectively:

	As of December 31,			As of September 30,	As of November 30,
	2017	2018	2019	2020	2020
	<i>(in RMB thousands)</i>				
					<i>(unaudited)</i>
Current assets					
Trade receivables	136,641	129,045	1,107,440	1,812,648	2,288,054
Prepayments, other receivables and other current assets	92,557	724,950	2,032,754	2,179,047	2,340,161
Financial assets at fair value through profit or loss	2,472,037	4,273,517	8,902,270	8,546,045	4,860,872
Short-term time deposits	—	—	1,270,994	10,634,150	2,640,489
Restricted cash	251,893	285,274	1,386	5,253	4,409
Cash and cash equivalents	2,688,512	5,370,332	3,996,236	7,703,012	19,644,929
Total current assets	5,641,640	10,783,118	17,311,080	30,880,155	31,778,914
Current liabilities					
Borrowings	—	—	—	300,000	300,000
Accounts payables	1,802,517	2,025,563	9,055,133	10,913,350	11,228,987
Other payables and accruals	271,324	844,619	3,027,568	4,092,739	5,699,996
Advances from customers	190,074	475,553	1,529,608	3,031,158	3,051,453
Income tax liabilities	91,923	198,132	424,414	435,136	485,915
Convertible redeemable preferred shares	—	—	—	122,847,844	—
Lease liabilities	175,201	498,541	1,337,048	1,871,490	2,035,010
Total current liabilities	2,531,039	4,042,408	15,373,771	143,491,717	22,801,361
Net current assets/(liabilities)	3,110,601	6,740,710	1,937,309	(112,611,562)	8,977,553

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Our net current assets were primarily attributable to (i) our financial assets at fair value through profit or loss, (ii) our cash and cash equivalents, restricted cash and short-term time deposits, (iii) our prepayments, other receivables and other current assets and (iv) our trade receivables, partially offset by our accounts payables, other payables and accruals, advances from customers, and lease liabilities.

As of September 30, 2020, we had net current liabilities primarily due to (i) accounting treatment for the increase in the fair values of our convertible redeemable preferred shares driven by the increase in the valuation of our Company and (ii) the redemption rights of our convertible redeemable preferred shares. These outstanding convertible redeemable preferred shares of RMB122.8 billion were classified as our current liabilities as of September 30, 2020, as the holders of these preferred shares can demand us to redeem these preferred shares within one year from September 30, 2020. In October 2020, all the holders of our preferred shares agreed to modify the redemption commencement date to April 30, 2022. We are no longer in net current liability position after the modification. As of November 30, 2020, our net current assets amounted to RMB9.0 billion. See Note 2 and Note 32 to the Accountant's Report in Appendix I to this prospectus. All the redemption rights of our convertible redeemable preferred shares will be terminated upon the Listing.

Trade Receivables

Trade receivables are primarily amounts due from online marketing services customers and third party e-commerce platforms for services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The following table sets forth our trade receivables as of the dates indicated, respectively:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>(in RMB thousands)</i>			
Trade receivables from contracts with customers	136,641	129,120	1,112,214	1,835,477
Less: Credit loss allowance	—	(75)	(4,774)	(22,829)
Total	136,641	129,045	1,107,440	1,812,648

FINANCIAL INFORMATION

Our trade receivables decreased by 5.6% from RMB136.6 million as of December 31, 2017 to RMB129.0 million as of December 31, 2018, primarily due to improved efficiency in trade receivables collection. Our trade receivables increased by 758.2% from RMB129.0 million as of December 31, 2018 to RMB1.1 billion as of December 31, 2019, and further by 63.7% to RMB1.8 billion as of September 30, 2020, primarily due to (i) an increase in trade receivables from our advertising customers attributable to an increase in revenue generated from our online marketing services and our grant of credit terms to more advertising customers since 2019, and (ii) an increase in trade receivables from third party e-commerce platforms, attributable to the launch of our e-commerce business in 2018 and the growth of our e-commerce business in 2019 and the nine months ended September 30, 2020.

We generally allow a credit period of 90 days to our customers. The following table sets forth an aging analysis of our trade receivables, based on the invoice date, as of the dates indicated, respectively:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>(in RMB thousands)</i>			
Up to 3 months	136,641	129,120	1,104,662	1,624,531
3 to 6 months	—	—	7,552	210,946
Total	136,641	129,120	1,112,214	1,835,477

As of December 31, 2017, 2018, 2019 and September 30, 2020, except for impaired receivables, the majority of trade receivables are due from our customers of online marketing services, which usually settle the amounts due within a period of 30 to 90 days.

Since January 1, 2018, we have applied the IFRS 9 simplified approach to measure expected credit losses, under which the lifetime expected credit losses for all trade receivables are estimated. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and credit rating.

The expected loss rates are based on historical payment profiles, historical loss rates and data published by external credit rating institutions, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. We have identified the GDP of the PRC to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in this factor.

FINANCIAL INFORMATION

On that basis, the loss allowances of trade receivables as of January 1, 2018, December 31, 2018 and 2019 and September 30, 2019 and 2020 were determined as follows:

	As of January 1, 2018	As of December 31,		As of September 30,	
	2018	2018	2019	2019	2020
		<i>(in RMB thousands, except for percentages)</i>			
		<i>(unaudited)</i>			
Expected loss rate	—	0.06%	0.43%	0.25%	1.24%
Gross carrying amount	136,641	129,120	1,112,214	494,361	1,835,477
Loss allowance provision	—	75	4,774	1,257	22,829

We seek to maintain strict control over our credit granting policy to minimize credit risk. Overdue balances are reviewed regularly by our senior management. In view of the aforementioned and the fact that our trade receivables relate to diverse customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our trade receivable balances. The balances of trade receivables are non-interest-bearing.

As of November 30, 2020, RMB1.4 billion, or 75.7% of our trade receivables outstanding as of September 30, 2020, was settled.

Prepayments, Other Receivables and Other Current Assets

Our prepayments, other receivables and other current assets mainly relate to prepaid promotion and advertising fees and recoverable VAT and other tax prepayments. As of November 30, 2020, the utilization of recoverable VAT and other tax prepayments as of December 31, 2019 and September 30, 2020 were RMB487.3 million (or 96% of the related balance as of December 31, 2019) and RMB958.5 million (or 61% of the related balance as of September 30, 2020), respectively.

FINANCIAL INFORMATION

The following table sets forth our prepayments, other receivables and other current assets as of the dates indicated, respectively:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	<i>(in RMB thousands)</i>			
Prepaid promotion and advertising fees	32,248	130,023	1,354,825	391,108
Recoverable VAT and other tax prepayments	16,433	405,595	505,219	1,561,430
Deposit	3,469	48,500	66,381	77,335
Loan receivables	—	34,316	34,881	34,051
Interest receivable	561	6,169	13,111	24,815
Rental prepayments	318	5,671	7,986	17,655
Prepaid bandwidth fee	1,641	61,656	2,083	—
Others	37,887	33,985	66,832	90,979
	<u>92,557</u>	<u>725,915</u>	<u>2,051,318</u>	<u>2,197,373</u>
Less: credit loss allowance	—	(965)	(18,564)	(18,326)
Total	<u>92,557</u>	<u>724,950</u>	<u>2,032,754</u>	<u>2,179,047</u>

Our prepayments, other receivables and other current assets increased by 683.2% from RMB92.6 million as of December 31, 2017 to RMB725.0 million as of December 31, 2018, primarily due to (i) an increase in recoverable VAT and other tax prepayments, which mainly represented the VAT input credits during the Track Record Period, which were expected to be utilized within one year from the respective balance sheet dates to offset our VAT payable that arose from our business operations, (ii) an increase in prepaid promotion and advertising fees for our marketing and brand promotion activities, and (iii) an increase in prepaid bandwidth fee. Our prepayments, other receivables and other current assets increased by 180.4% from RMB725.0 million as of December 31, 2018 to RMB2.0 billion as of December 31, 2019, primarily due to an increase in prepaid promotion and advertising fees for our marketing and brand promotion activities. Our prepayments, other receivables and other current assets increased by 7.2% from RMB2.0 billion as of December 31, 2019 to RMB2.2 billion as of September 30, 2020, primarily due to an increase in recoverable VAT and other tax prepayments, partially offset by a decrease in prepaid promotion and advertising fees.

FINANCIAL INFORMATION

Property and Equipment

Our property and equipment primarily consist of servers, computers and equipment, office equipment, leasehold improvements and construction in progress.

Our property and equipment increased by 129.0% from RMB1.1 billion as of December 31, 2017 to RMB2.4 billion as of December 31, 2018, further by 157.5% to RMB6.2 billion as of December 31, 2019 and further by 12.7% to RMB7.0 billion as of September 30, 2020, primarily due to an increase in servers, computers and equipment to accommodate the increases in user traffic and videos uploaded to our platform. Our servers, computers and equipment have a useful life of three years, and our office equipment has a useful life of three to five years. Our leasehold improvements are generally depreciated over the shorter of the term of the lease or the estimated useful lives of the assets.

Right-of-Use Assets

Our right-of-use assets relate to leases of internet data centers and office buildings. The following table sets forth our right-of-use assets as of the dates indicated, respectively:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>(in RMB thousands)</i>			
Internet data centers	822,078	790,429	3,823,058	4,705,048
Office buildings	43,545	481,789	529,580	689,434
Total	865,623	1,272,218	4,352,638	5,394,482

Our right-of-use assets increased from RMB865.6 million as of December 31, 2017 to RMB1.3 billion as of December 31, 2018, and further to RMB4.4 billion as of December 31, 2019 and RMB5.4 billion as of September 30, 2020. These increases were primarily due to increases in leases of internet data centers and office buildings to support the growth of our business. Our right-of-use assets are generally depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis.

FINANCIAL INFORMATION

Intangible Assets

Our intangible assets primarily consist of goodwill and other intangible assets, including licenses and copyrights, trademarks and domain names, software and others. We recorded intangible assets of RMB34.9 million, RMB1.0 billion, RMB1.1 billion and RMB1.3 billion as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively.

Our goodwill relates to our business acquisitions. We recorded goodwill of nil as of December 31, 2017, RMB816.1 million as of December 31, 2018, RMB837.0 million as of December 31, 2019 and RMB837.0 million as of September 30, 2020.

Based on the result of goodwill impairment testing, which we conduct at least annually, no impairment was identified in respect of goodwill as of December 31, 2018 and 2019, respectively. For the nine months ended September 30, 2020, we also performed impairment testing and no impairment was identified.

We recorded other intangible assets of RMB34.9 million, RMB229.7 million, RMB283.3 million and RMB416.7 million as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. The increases in our intangible assets were mainly attributable to our business acquisitions and our purchases of licenses, copyrights and software. Each of the licenses and copyrights, trademarks and domain name, software, and others has a useful life of 2 to 10 years, 2 to 10 years, 2 to 7 years and 3 to 4 years, respectively.

FINANCIAL INFORMATION

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss comprise unlisted equity securities and wealth management products, at fair value, and listed equity securities, at market value. See Note 3 to the Accountant's Report in Appendix I to this prospectus for details of fair value estimation. The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated, respectively:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>(in RMB thousands)</i>			
Non-current assets				
Investments in unlisted entities	49,200	677,919	2,258,272	3,998,760
Current assets				
Investments in listed entities				
— Hong Kong listed	—	—	77,202	95,737
Wealth management products	2,472,037	4,273,517	8,825,068	8,450,308
	2,472,037	4,273,517	8,902,270	8,546,045
Total	2,521,237	4,951,436	11,160,542	12,544,805

Our financial assets at fair value through profit and loss mainly relate to our investments in wealth management products, listed and unlisted equity securities. Short-term investments in wealth management products were mainly the investment products purchased from reputable financial institutions in the PRC and international financial institutions outside of the PRC with floating rates. From the perspective of cash management and risk control, we diversify our investment portfolios and mainly purchase low risk products from reputable financial institutions and prefer those products with high liquidity. Our financial assets at fair value through profit or loss increased from RMB2.5 billion as of December 31, 2017 to RMB5.0 billion as of December 31, 2018 and further to RMB11.2 billion as of December 31, 2019, primarily due to the addition of wealth management products. Our financial assets at fair value through profit and loss further increased to RMB12.5 billion as of September 30, 2020 primarily due to increase in investments in unlisted entities. The increase in investments in unlisted entities from RMB677.9 million as of December 31, 2018 to RMB2.3 billion as of December 31, 2019 was primarily attributable to our investment in Zhihu Technology Limited in August 2019 in the form of convertible redeemable preferred shares. The further increase in investments in unlisted entities to RMB4.0 billion as of September 30, 2020 was primarily attributable to our investments in Leading Smart Holdings Limited and SHAREit Technology Holdings Inc. in March 2020 and April 2020, respectively, in the form of convertible redeemable preferred shares.

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The following table sets forth a breakdown of the carrying amounts of our investments in unlisted entities by investee entity as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	<i>(in RMB thousands)</i>			
Zhihu Technology Limited	—	—	1,744,050	1,766,335
Leading Smart Holdings Limited.	—	—	—	432,833
SHAREit Technology Holdings Inc.	—	—	—	883,989
Others	49,200	677,919	514,222	915,603
Total	49,200	677,919	2,258,272	3,998,760

The following table sets forth a breakdown of the changes in fair value of our investments in unlisted entities by investee entity for the periods indicated:

	Year ended December 31,			Nine months ended
	2017	2018	2019	September 30, 2020
	<i>(in RMB thousands)</i>			
Zhihu Technology Limited	—	—	—	66,335
Leading Smart Holdings Limited.	—	—	—	24,239
SHAREit Technology Holdings Inc.	—	—	—	(36,825)
Others	—	36,835	(297,368)	40,894
Total	—	36,835	(297,368)	94,643

Accounts payables

Accounts payables represent liabilities for goods and services provided to us prior to the end of a period which are unpaid. Accounts payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

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Our accounts payables increased from RMB1.8 billion as of December 31, 2017 to RMB2.0 billion as of December 31, 2018, further to RMB9.1 billion as of December 31, 2019, and further to RMB10.9 billion as of September 30, 2020, primarily attributable to increases in promotion and advertising expenses, bandwidth expenses, advertising rebates, revenue sharing to streamers and acquisition of fixed assets along with the growth of our business. In addition, the increase from December 31, 2019 to September 30, 2020 was partially offset by the settlement in 2020 of a large number of fixed assets purchased in 2019.

The following table sets forth an aging analysis of our accounts payables, based on invoice date, as of the dates indicated, respectively:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>(in RMB thousands)</i>			
Accounts payables				
— Up to 3 months	1,536,489	1,509,058	7,014,917	7,979,085
— 3 to 6 months	120,277	175,436	803,711	2,139,156
— 6 months to 1 year	103,968	121,899	717,250	676,903
— over 1 year	41,783	219,170	519,255	118,206
Total	1,802,517	2,025,563	9,055,133	10,913,350

As of November 30, 2020, RMB6.0 billion, or 55.1% of our accounts payables outstanding as of September 30, 2020, was settled.

Other Payables and Accruals

Other payables and accruals primarily include employee benefit payables, refundable deposits from customers, collection on behalf of others and other taxes payable. Other payables and accruals due within 12 months after the reporting period are presented as current liabilities. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

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The following table sets forth our other payables and accruals as of the dates indicated, respectively:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>(in RMB thousands)</i>			
Employee benefit payables	150,914	540,525	1,066,601	1,270,519
Refundable deposits from customers . .	3,100	6,403	495,611	1,375,732
Collection on behalf of others	—	1,356	847,064	917,916
Other taxes payable	109,971	256,567	559,750	466,940
Others	7,339	39,768	58,542	61,632
Total	271,324	844,619	3,027,568	4,092,739

Our other payables and accruals increased from RMB271.3 million as of December 31, 2017 to RMB844.6 million as of December 31, 2018, and further to RMB3.0 billion as of December 31, 2019, primarily due to (i) the increases in employee benefit payables, which were primarily attributable to increases in the number of employees; (ii) increases in refundable deposits from customers, which were mainly attributable to deposits paid by new business partners such as merchants establishing storefronts in Kwai Shop; (iii) an increase in collection on behalf of merchants on our platform, which was attributable to our expanded e-commerce business; and (iv) the increases in other taxes payable, which mainly comprised output VAT, which were attributable to expanded business operations and increased revenues. Our other payables and accruals further increased to RMB4.1 billion as of September 30, 2020, mainly due to an increase in refundable deposits from customers and employee benefit payables, partially offset by a decrease in other taxes payable.

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Advances from Customers

Advances from customers primarily represent advances from live streaming customers, which represent the advances for the purchase of virtual items, and advances from online marketing services customers, which represent contractual liability in connection with the advanced cash receipt from customers for online marketing services. The following table sets forth our advances from customers as of the dates indicated, respectively:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	<i>(in RMB thousands)</i>			
Advances from live streaming customers	132,498	318,783	1,009,519	1,622,722
Advances from online marketing services customers	57,441	151,560	499,093	1,394,859
Others	135	5,210	20,996	13,577
Total	190,074	475,553	1,529,608	3,031,158

Our advances from customers during the Track Record Period increased primarily due to increases in the number of live streaming customers and online marketing services customers.

As of the Latest Practicable Date, RMB1.6 billion, representing 51.6% of the balance of our advances from customers as of September 30, 2020, had been subsequently recognized as revenues.

Borrowings

Our total outstanding borrowings amounted to nil, nil, nil and RMB300.0 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively. See “— Indebtedness” in this section for more discussion.

Lease Liabilities

We recognized lease liabilities of RMB871.0 million, RMB1.4 billion, RMB4.6 billion and RMB5.8 billion as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. The increases were primarily attributable to our lease of additional internet data centers and office buildings to support the growth of our business. For further information regarding our lease liabilities, see Note 16 to the Accountant’s Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

Convertible Redeemable Preferred Shares

Since the date of incorporation, we have completed several rounds of financing by issuing preferred shares from Series A to Series F-2. Preferred shares issued by us are redeemable at the option of the holder or after the redemption commencement date. These instruments can also be converted into our Class B Shares at any time at the option of the holders, or automatically upon our initial public offering. See Note 24 and Note 32 to the Accountant's Report in Appendix I to this prospectus.

We designated the preferred shares as financial liabilities at fair value through profit or loss. We applied the discount cash flow method to determine our underlying equity value and adopted option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares.

The preferred shares were classified as non-current liabilities unless the holders of the preferred shares can demand us to redeem the preferred shares within 12 months after the end of the reporting period. The outstanding convertible redeemable preferred shares of RMB122.8 billion were classified as our current liabilities as of September 30, 2020 as the holders of these preferred shares can demand us to redeem these preferred shares within one year from September 30, 2020. In October 2020, all the holders of our preferred shares agreed to modify the redemption commencement date to April 30, 2022. See Note 2 and Note 32 to the Accountant's Report in Appendix I to this prospectus.

The following table sets forth convertible redeemable preferred shares recorded as current liabilities and non-current liabilities as of the dates indicated, respectively:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>(in RMB thousands)</i>			
Current liabilities	—	—	—	122,847,844
Non-current liabilities	26,652,555	47,211,431	69,444,163	52,389,987
Total	26,652,555	47,211,431	69,444,163	175,237,831

The increases in convertible redeemable preferred shares as of December 31, 2017, 2018 and 2019 and September 30, 2020 were attributable to additional rounds of financing and increases in the valuation of our Company. As of December 31, 2017, 2018 and 2019 and September 30, 2020, our convertible redeemable preferred shares had fair values of RMB26.7 billion, RMB47.2 billion, RMB69.4 billion and RMB175.2 billion, respectively.

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Net Liabilities

As of December 31, 2017, 2018 and 2019 and September 30, 2020, we had net liabilities of RMB22.2 billion, RMB35.7 billion, RMB55.7 billion and RMB148.3 billion, respectively, primarily due to accounting treatment for the increases in the fair values of our convertible redeemable preferred shares driven by the increases in the valuation of our Company. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, after which we do not expect to recognize any further loss or gain on fair value changes from convertible redeemable preferred shares and will return to a net assets position.

INDEBTEDNESS

Bank Loans

Our total outstanding borrowings amounted to nil, nil, nil, RMB300.0 million and RMB300.0 million as of December 31, 2017, 2018 and 2019, September 30, 2020 and November 30, 2020, respectively.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All borrowings are repayable within one month and the effective annual interest rates ranged from 2.25% to 2.55% as of November 30, 2020, being the indebtedness statement date.

As of November 30, 2020, being the indebtedness statement date, we had approximately RMB200.0 million in unutilized banking facilities.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, banking facilities (utilized or unutilized), bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits (which are either guaranteed, unguaranteed, secured or unsecured), finance leases or hire purchase commitments, guarantees or other contingent liabilities or any material covenants and undertakings in connection therewith as of November 30, 2020, being the indebtedness statement date.

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Our Directors confirm that there was no delay or default in the repayment of borrowings during the Track Record Period. Our Directors also confirm that they are not aware of any breach of any of the covenants contained in our bank loan arrangements and other borrowing arrangements or any event of default during the Track Record Period and up to the Latest Practicable Date, nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities.

Lease Liabilities

We recognized total lease liabilities of RMB871.0 million, RMB1.4 billion, RMB4.6 billion, RMB5.8 billion and RMB5.8 billion as of December 31, 2017, 2018 and 2019, September 30, 2020 and November 30, 2020, respectively.

Convertible Redeemable Preferred Shares

For further information regarding our convertible redeemable preferred shares, see “— Analysis of Selected Balance Sheet Items” in this section and Note 24 and Note 32 to the Accountant’s Report in Appendix I to this prospectus. From October 1, 2020 to the Latest Practicable Date, we did not issue or repurchase any preferred shares.

No Other Outstanding Indebtedness

Save as disclosed in this “— Indebtedness” above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenants and undertakings in connection therewith as of November 30, 2020, being the indebtedness statement date.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we historically met our working capital and other capital requirements primarily through capital contributions from shareholders, cash generated from issuance of convertible redeemable preferred shares and cash generated from our operating activities. We had cash and cash equivalents of RMB2.7 billion, RMB5.4 billion, RMB4.0 billion and RMB7.7 billion as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively.

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We believe that our liquidity requirements will be satisfied by a combination of cash generated from operating activities, the net proceeds received from the Global Offering, and other funds raised from the capital markets from time to time. Our outstanding convertible redeemable preferred shares of RMB122.8 billion were classified as our current liabilities as of September 30, 2020. We currently do not have any plans for material additional external financing.

The following table sets forth a summary of our cash flows for the periods indicated, respectively:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>(in RMB thousands)</i>				
	<i>(unaudited)</i>				
Net cash generated from/(used in) operating activities ⁽¹⁾	2,055,418	1,819,254	8,020,090	6,111,970	(768,417)
Net cash used in investing activities	(2,896,802)	(5,623,084)	(10,148,560)	(8,358,373)	(15,570,288)
Net cash generated from/(used in) financing activities	2,358,236	6,033,532	698,051	(152,374)	20,067,064
Net increase/(decrease) in cash and cash equivalents	1,516,852	2,229,702	(1,430,419)	(2,398,777)	3,728,359
Cash and cash equivalents at the beginning of the year/period . .	1,301,005	2,688,512	5,370,332	5,370,332	3,996,236
Effects of exchange rate changes on cash and cash equivalents . .	(129,345)	452,118	56,323	126,676	(21,583)
Cash and cash equivalents at the end of the year/period	<u>2,688,512</u>	<u>5,370,332</u>	<u>3,996,236</u>	<u>3,098,231</u>	<u>7,703,012</u>

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Note:

(1) Line items for net cash generated from/(used in) operating activities:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>(in RMB thousands)</i>			(Unaudited)	
Cash flows from operating activities					
Operating profit/(loss) before changes in working capital	993,131	1,332,981	3,714,442	3,453,001	(4,941,985)
Changes in working capital	1,082,624	564,632	5,167,926	3,058,002	4,848,603
Cash generated from/(used in) operations	2,075,755	1,897,613	8,882,368	6,511,003	(93,382)
Income tax paid	(20,337)	(78,359)	(862,278)	(399,033)	(675,035)
Net cash generated from/(used in) operating activities	2,055,418	1,819,254	8,020,090	6,111,970	(768,417)

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, time deposits and wealth management products, the estimated net proceeds from the Global Offering, and the modification of the redemption commencement date of all convertible redeemable preferred shares to April 30, 2022, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

Net Cash Generated from/(Used in) Operating Activities

For the nine months ended September 30, 2020, our net cash used in operating activities was RMB768.4 million, which was primarily attributable to our loss before income tax of RMB98.1 billion, adjusted by adding back non-cash items, primarily comprising fair value changes of convertible redeemable preferred shares of RMB89.2 billion, depreciation of property and equipment of RMB2.2 billion, depreciation of right-of-use assets of RMB1.2 billion and share-based compensation expenses of RMB977.1 million. The amount was further adjusted by changes in working capital, which primarily comprised an increase in accounts payables of RMB3.0 billion, an increase in advances from customers of RMB1.5 billion and an increase in other payables and accruals of RMB1.1 billion, partially offset by an increase in trade receivables of RMB723.3 million. We also paid income tax of RMB675.0 million. Our loss before income tax of RMB98.1 billion in the nine months ended September 30, 2020 was primarily attributable to our strategic decision to invest more in selling and marketing efforts to continue to grow our user base and user engagement, enhance our brand recognition and develop our overall ecosystem. We believe ongoing investments in our user base and engagement, brand recognition and the overall

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ecosystem will help us better capture the massive market opportunities in China's short video industry. Specifically, we expect to continue to invest in selling and marketing as well as research and development efforts to bring more content, products and services to our users and customers. It will in turn enlarge our user base with more engagement, interaction and time spent on our platform, resulting in enhanced monetization capabilities of our platform across multiple revenue streams and ultimately continuous revenue growth. As a result, we expect to improve operating leverage and achieve profitability, and accordingly, we expect our operating cash flow position to improve going forward. For more details, see "Business — Business Sustainability."

For 2019, our net cash generated from operating activities was RMB8.0 billion, which was primarily attributable to our loss before income tax of RMB19.3 billion, adjusted by adding back non-cash items, primarily comprising fair value changes of convertible redeemable preferred shares of RMB19.9 billion, depreciation of property and equipment of RMB1.4 billion, share-based compensation expenses of RMB742.3 million and depreciation of right-of-use assets of RMB692.2 million. The amount was further adjusted by changes in working capital, which primarily comprised of an increase in accounts payables of RMB4.2 billion, an increase in other payables and accruals of RMB2.2 billion and an increase in advances from customers of RMB1.1 billion, partially offset by an increase in prepayments, other receivables and other current assets of RMB1.3 billion and an increase in trade receivables of RMB983.1 million. We also paid income tax of RMB862.3 million.

For 2018, our net cash generated from operating activities was RMB1.8 billion, which was primarily attributable to our loss before income tax of RMB12.4 billion, adjusted by adding back non-cash items, primarily comprising fair value changes of convertible redeemable preferred shares of RMB11.9 billion, depreciation of property and equipment of RMB829.0 million, share-based compensation expenses of RMB701.6 million and depreciation of right-of-use assets of RMB325.8 million. The amount was further adjusted by changes in working capital, which primarily comprised an increase in accounts payables of RMB745.9 million, increase in advances from customers of RMB282.6 million, increase in other payables and accruals of RMB161.9 million, partially offset by an increase in prepayments, other receivables and other current assets of RMB612.5 million. We also paid income tax of RMB78.4 million.

For 2017, our net cash generated from operating activities was RMB2.1 billion, which was primarily attributable to our loss before income tax of RMB19.9 billion, adjusted by adding back non-cash items, primarily comprising fair value changes of convertible redeemable preferred shares of RMB20.5 billion and share-based compensation expenses of RMB296.5 million. The amount was further adjusted by changes in working capital, which primarily comprised an increase in accounts payables of RMB1.0 billion and increase in advances from customers of RMB155.1 million, partially offset by an increase in trade receivables of RMB118.7 million. We also paid income tax of RMB20.3 million.

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Net Cash Used in Investing Activities

For the nine months ended September 30, 2020, our net cash used in investing activities was RMB15.6 billion, which was primarily attributable to purchase of investments in current financial assets at fair value through profit for loss of RMB44.3 billion, net purchase of time deposits with initial terms of over three months of RMB10.1 billion, purchase of property, equipment and intangible assets of RMB4.4 billion and purchase of investments in non-current financial assets at fair value through profit or loss of RMB1.7 billion, partially offset by proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB45.0 billion.

For 2019, our net cash used in investing activities was RMB10.1 billion, which was primarily attributable to purchase of investments in current financial assets at fair value through profit or loss of RMB55.4 billion, purchase of property, equipment and intangible assets of RMB2.5 billion and purchase of investments in non-current financial assets at fair value through profit or loss of RMB1.9 billion, partially offset by proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB51.1 billion.

For 2018, our net cash used in investing activities was RMB5.6 billion, which was primarily attributable to purchase of investments in current financial assets at fair value through profit or loss of RMB17.4 billion, purchase of property, equipment and intangible assets of RMB2.9 billion and purchase of investments in non-current financial assets at fair value through profit or loss of RMB628.9 million, partially offset by proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB15.8 billion.

For 2017, our net cash used in investing activities was RMB2.9 billion, which was primarily attributable to purchase of investments in current financial assets at fair value through profit or loss of RMB5.8 billion and purchase of property, equipment and intangible assets of RMB376.1 million, partially offset by proceeds from disposal of investments in current financial assets at fair value through profit or loss of RMB3.4 billion.

Net Cash Generated from/(Used in) Financing Activities

For the nine months ended September 30, 2020, our net cash generated from financing activities was RMB20.1 billion, which was primarily attributable to proceeds from issuance of convertible redeemable preferred shares of RMB21.0 billion and proceeds from borrowings of RMB300.0 million, partially offset by payments for principal elements of lease and related interest of RMB1.2 billion.

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For 2019, our net cash generated from financing activities was RMB698.1 million, which was primarily attributable to proceeds from issuance of convertible redeemable preferred shares of RMB1.3 billion, partially offset by payments for principal elements of lease and related interest of RMB641.7 million and payment of RMB187.0 million for tax liabilities as a result of net exercise of share options.

For 2018, our net cash generated from financing activities was RMB6.0 billion, which was primarily attributable to proceeds from issuance of convertible redeemable preferred shares of RMB6.3 billion, partially offset by payments for principal elements of lease and related interest of RMB265.8 million.

For 2017, our net cash generated from financing activities was RMB2.4 billion, which was primarily attributable to proceeds from issuance of convertible redeemable preferred shares of RMB2.4 billion.

CAPITAL EXPENDITURES

Our capital expenditures consist of acquisitions of fixed assets and intangible assets. Our total capital expenditures in 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020 amounted to RMB376.1 million, RMB2.9 billion, RMB2.5 billion, RMB860.7 million and RMB4.4 billion, respectively.

The following table sets forth our capital expenditures for the periods indicated, respectively:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>(in RMB thousands)</i>				
				<i>(unaudited)</i>	
Purchase of property, equipment and intangible assets	376,105	2,866,421	2,548,294	860,710	4,376,282

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Our capital expenditures increased from 2017 to 2018 primarily due to increases in the acquisition of servers, computers and equipment attributable to the expansion of our business. Our capital expenditures decreased from 2018 to 2019, primarily because purchases of large volume of servers and equipment in the second half of 2019 was settled in 2020. Our capital expenditures increased from the nine months ended September 30, 2019 to the nine months ended September 30, 2020, primarily due to purchases of large volume of servers and equipment as a result of the growth in our user traffic. Our historical capital expenditures were primarily funded by our cash and cash equivalents and cash flows from our operating activities and financing activities, including issuance of convertible redeemable preferred shares.

We plan to fund our planned capital expenditures with (i) our existing cash and cash equivalents; (ii) cash flow generated from our operating activities; (iii) proceeds from the Global Offering; and (iv) other sources of external financings. For more details, see “Business — Our Strategies” and “Future Plans and Use of Proceeds.” We will continue to make capital expenditures to support the growth of our business. We may reallocate the funds to be utilized on capital expenditure based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our commitments primarily comprise capital commitments and operating lease commitments.

Capital Commitments

Our capital commitments during the Track Record Period were primarily relating to purchases of property and equipment, intangible assets, and investment. The following table sets forth our significant capital expenditure contracted for at the end of the reporting period but not yet incurred as of the dates indicated, respectively:

	As of December 31,			As of
	2017	2018	2019	September 30, 2020
	<i>(in RMB thousands)</i>			
Intangible assets	—	—	15,057	7,747
Property and equipment.	95,376	25,553	12,571	314,751
Investment.	—	—	—	55,456
Total	95,376	25,553	27,628	377,954

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KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated, respectively:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
Revenue growth (%)	N/A	143.4	92.7	N/A	49.2
Gross margin ⁽¹⁾ (%)	31.3	28.6	36.1	34.7	37.6
Adjusted EBITDA margin ⁽²⁾ (%)	12.2	6.7	9.2	13.2	(11.2)
Adjusted net margin ⁽³⁾ (%)	9.3	1.0	2.6	6.7	(17.8)

Notes:

- (1) Gross margin is calculated by dividing gross profit by our revenues.
- (2) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by our revenues and is a non-IFRS measure.
- (3) Adjusted net margin is calculated by dividing adjusted net profit/(loss) by our revenues and is a non-IFRS measure.

Revenue Growth

Our revenue growth decreased from 143.4% in 2018 to 92.7% in 2019 and further to 49.2% in the nine months ended September 30, 2020. See “— Period to Period Comparison of Results of Operations” in this section for the analysis on our revenue growth.

Gross Margin

Our gross margin decreased from 31.3% in 2017 to 28.6% in 2018, then increased to 36.1% in 2019, and from 34.7% in the nine months ended September 30, 2019 to 37.6% for the same period in 2020. See “— Period to Period Comparison of Results of Operations” in this section for the analysis on our gross margin.

Adjusted EBITDA Margin

Our adjusted EBITDA margin, a non-IFRS measure, was 12.2%, 6.7% 9.2% and 13.2% in 2017, 2018, 2019 and the nine months ended September 30, 2019, respectively. Our adjusted EBITDA margin was negative 11.2% in the nine months ended September 30, 2020. See “— Non-IFRS Measures” in this section for the analysis on our adjusted EBITDA margin.

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Adjusted Net Margin

Our adjusted net margin, a non-IFRS measure, was 9.3%, 1.0%, 2.6% and 6.7% in 2017, 2018, 2019 and the nine months ended September 30, 2019, respectively. Our adjusted net margin was negative 17.8% in the nine months ended September 30, 2020. See “— Non-IFRS Measures” in this section for the analysis on our adjusted net margin.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to various types of financial risks, including foreign exchange risk, interest rate risk, price risk, credit risk and liquidity risk.

Foreign Exchange Risk

Foreign exchange risk primarily arises from recognized assets and liabilities denominated in a currency other than the functional currency of our subsidiaries. The functional currency of our Company and certain of our overseas subsidiaries is U.S. Dollars whereas the functional currency of our primary subsidiaries and structured entities incorporated in the PRC is Renminbi. We manage our foreign exchange risk by minimizing non-functional currency transactions when necessary.

We operate mainly in China with most of the transactions settled in Renminbi. Our management considers that our business is not exposed to any significant foreign exchange risk as we have no significant assets or liabilities denominated in currencies other than the respective functional currencies of our entities. Our conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

During the Track Record Period, we recorded currency translation gains of RMB881.9 million and RMB3.9 billion in 2017 and the nine months ended September 30, 2020, respectively; and recognized currency translation losses of RMB1.8 billion, RMB911.0 million and RMB1.3 billion in 2018, 2019 and the nine months ended September 30, 2019, respectively, which were recognized as other comprehensive income/(loss) in our consolidated statements of comprehensive loss. For results and financial position of all the entities within our Group that have a functional currency different from the presentation currency, assets and liabilities on each balance sheet presented are translated at the closing rate at the date of that balance sheet; income and expenses on each income statement are translated at average exchange rates and all resulting currency translation differences are recognized in other comprehensive income or loss as currency translation differences. During the Tracking Record Period, the currency translation differences are mainly related to the translation of the convertible redeemable preferred shares and their fair value changes.

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Interest Rate Risk

Our interest rate risk primarily arises from borrowings, loan receivables, time deposits and cash and cash equivalents. Those carried at floating rates expose us to cash flow interest rate risk whereas those carried at fixed rates expose us to fair value interest rate risk.

If the interest rates of cash and cash equivalents and short-term and long-term time deposits had been 50 basis points higher or lower, the loss before income tax for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 would have been RMB13.4 million, RMB26.9 million, RMB26.9 million, RMB15.9 million and RMB94.7 million lower or higher, respectively. The interest rate change impact on borrowings and loan receivables is not material.

We regularly monitor our interest rate risk to ensure there is no undue exposure to significant interest rate movements.

Price Risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. We are exposed to price risk in respect of the financial assets measured at fair value through profit or loss, including investments in listed and unlisted entities, and wealth management products. We are generally not exposed to commodity price risk. To manage our price risk arising from the investments, we diversify our investment portfolio. The sensitivity analysis is performed by management. See Note 3.3 to the Accountant's Report in Appendix I to this prospectus for details.

Credit Risk

We have no significant concentrations of credit risk. Credit risk mainly arises from cash and cash equivalents, time deposits placed with banks, restricted cash, trade receivables and other receivables. The carrying amount of these financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

Trade receivables and other receivables are managed on a group basis. Our finance team is responsible for managing and analyzing the credit risk for each of their new customers or debtors before credit payment terms are offered. We assess the credit quality of its customers and other debtors by taking into account various factors including their financial position, past performance and other factors.

FINANCIAL INFORMATION

Cash and cash equivalents, time deposits and restricted cash are mainly placed with reputable financial institutions in the PRC and international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

Before adoption of IFRS 9, impairment of financial assets were assessed on a group basis. The credit period granted to the customers was usually not more than 90 days and the credit quality of these customers were assessed, taking into account their financial position, past performance and other factors. Provisions were made for past due balances when our management considers the loss from the customers is likely. See Note 21 and Note 22 to the Accountant's Report in Appendix I to this prospectus for more details. Since January 1, 2018, we have applied the IFRS 9 simplified approach to measuring expected credit losses under which the lifetime expected credit losses for all trade receivables are estimated. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and credit rating. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. While cash and cash equivalents, time deposits and restricted cash are also subject to the impairment requirements of IFRS 9, the identified credit loss was immaterial. For more details, see Note 3 to the Accountant's Report in Appendix I to this prospectus.

Liquidity Risk

We intend to maintain sufficient cash and cash equivalents. Due to the dynamic nature of our underlying businesses, we regularly monitor our liquidity risk and maintain adequate liquid assets such as cash and cash equivalents, short-term time deposits and investments in wealth management products to retain adequate financing arrangements to meet our liquidity requirements. For further information regarding our convertible redeemable preferred shares, see “— Analysis of Selected Balance Sheet Items” in this section and Note 24 and Note 32 to the Accountant's Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

The following table analyses our non-derivative financial liabilities into relevant maturity groupings based on the remaining time period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<i>(in RMB thousands)</i>					
As of December 31, 2017					
Accounts payables	1,802,517	—	—	—	1,802,517
Other payables and accruals (excluding employee benefit payables, and other tax payable) . .	10,439	—	—	—	10,439
Lease liabilities	212,711	314,013	419,288	—	946,012
Convertible redeemable preferred shares	—	—	26,652,555	—	26,652,555
Total	<u>2,025,667</u>	<u>314,013</u>	<u>27,071,843</u>	<u>—</u>	<u>29,411,523</u>
As of December 31, 2018					
Accounts payables	2,025,563	—	—	—	2,025,563
Other payables and accruals (excluding employee benefit payables, and other tax payable) . .	47,527	—	—	—	47,527
Lease liabilities	553,756	589,619	307,858	—	1,451,233
Convertible redeemable preferred shares	—	—	47,211,431	—	47,211,431
Total	<u>2,626,846</u>	<u>589,619</u>	<u>47,519,289</u>	<u>—</u>	<u>50,735,754</u>

FINANCIAL INFORMATION

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<i>(in RMB thousands)</i>					
As of December 31, 2019					
Accounts payables	9,055,133	—	—	—	9,055,133
Other payables and accruals (excluding employee benefit payables, and other tax payable) . .	1,401,217	—	—	—	1,401,217
Lease liabilities	1,525,740	1,348,793	2,021,534	16,721	4,912,788
Convertible redeemable preferred shares	—	59,330,942	10,113,221	—	69,444,163
Total	<u>11,982,090</u>	<u>60,679,735</u>	<u>12,134,755</u>	<u>16,721</u>	<u>84,813,301</u>
As of September 30, 2020					
Accounts payables	10,913,350	—	—	—	10,913,350
Other payables and accruals (excluding employee benefit payables, and other tax payable) . .	2,355,280	—	—	—	2,355,280
Lease liabilities	2,106,778	1,976,113	2,184,586	32,075	6,299,552
Borrowings	300,000	—	—	—	300,000
Convertible redeemable preferred shares	122,847,844	14,908,265	37,481,722	—	175,237,831
Total	<u>138,523,252</u>	<u>16,884,378</u>	<u>39,666,308</u>	<u>32,075</u>	<u>195,106,013</u>

DIVIDEND

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 IFRS. 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.

FINANCIAL INFORMATION

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, we did not declare or distribute any dividend to our shareholders. We do not have any dividend policy and have no present plan to pay any dividends to our Shareholders in the foreseeable future. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. As advised by our legal advisor on Cayman Islands law, Maples and Calder (Hong Kong) LLP, a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our Shareholders, as dividends may still be declared and paid out of our share premium account notwithstanding our profitability. In addition, under applicable laws in the Cayman Islands, dividends may be paid only out of profits and share premium, and a dividend can be paid provided that there is a profit on the current financial year under review, without the requirement for making good losses from a prior financial year.

The Board will review dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our result of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements; and
- other factors the Board may deem relevant.

DISTRIBUTABLE RESERVES

As of September 30, 2020, we did not have any distributable reserves.

FINANCIAL INFORMATION

LISTING EXPENSES

Our listing expenses in connection with the Global Offering consist primarily of underwriting commission and professional fees, and are estimated to be approximately RMB582.6 million (HK\$696.6 million), representing approximately 1.7% of our gross proceeds from the Global Offering (assuming that the Global Offering is conducted at the mid-point of the Offer Price range and the Over-allotment Option is not exercised). During the Track Record Period, we incurred listing expenses of RMB23.1 million, which was charged to our consolidated income statements. We estimate that approximately RMB50.6 million of the remaining listing expense will be charged to the consolidated income statements and RMB508.9 million will be charged to equity upon completion of the Global Offering.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on September 30, 2020 and based on the audited consolidated net tangible liabilities attributable to the equity holders of the Company as at September 30, 2020 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets 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 of the group had the Global Offering been completed as of September 30, 2020 or at any future dates.

	Audited consolidated net tangible liabilities attributable to the equity holders of the Company as at September 30, 2020 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Estimated impact related to the change of terms of convertible redeemable preferred shares upon Listing ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽⁴⁾⁽⁵⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on an Offer Price of HK\$105.00 per Share	(149,595,066)	31,534,718	175,237,831	57,177,483	13.92	16.64
Based on an Offer Price of HK\$115.00 per Share	(149,595,066)	34,543,063	175,237,831	60,185,828	14.65	17.52

FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible liabilities attributable to the equity holders of the Company as of September 30, 2020 is extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities attributable to the equity holders of the Company as of September 30, 2020 of approximately RMB148,341,372,000 with an adjustment for the intangible assets as of September 30, 2020 of approximately RMB1,253,694,000.
- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Prices of HK\$105.00 and HK\$115.00 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately RMB23,136,793 listing expenses which have been charged to our consolidated income statements for the nine months ended September 30, 2020), and does not take into account any Class B Shares that may be issued pursuant to the exercise of the Over-allotment Option, any Shares that may be issued pursuant to the Post-IPO Share Option Scheme and Post-IPO RSU Scheme or any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors.
- (3) Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into Class B Shares. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company will be increased by RMB175,237,831,000, being the carrying amounts of the Preferred Shares as of September 30, 2020.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 4,108,194,737 Shares were in issue (including 363,146,799 Class B Shares to be issued pursuant to the exercised options under the Pre-IPO ESOP, 766,237,001 Class A Shares convertible from the ordinary shares held by Reach Best and Ke Yong, 164,435,258 Class B Shares convertible from the ordinary shares held by shareholders other than Reach Best and Ke Yong and 2,449,157,079 Class B Shares convertible from the Preferred Shares) assuming that the Global Offering has been completed on September 30, 2020 but does not take into account any Class B Shares that may be issued pursuant to the exercise of the Over-allotment Option, any Shares that may be issued pursuant to the Post-IPO Share Option Scheme and Post-IPO RSU Scheme or any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.1957. 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.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to September 30, 2020, including the acquisition of a company engaging in online payment services in the PRC (the "Target") as set out in Note 38 to the Accountant's Report in Appendix I to this prospectus. While we are still in the process of assessing the fair value of the identifiable assets and liabilities of the Target as of the completion date, it is expected that the unaudited pro forma adjusted consolidated net tangible assets per Share would decrease taking into account this subsequent acquisition as the Target holds significant intangible assets.

FINANCIAL INFORMATION

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION OF COMPANY A

We propose to acquire the entire equity interest of Company A for a preliminary consideration of RMB850 million, which is expected to be settled in cash. For details, see “Waivers From Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in Respect of Companies and Business to Be Acquired after the Track Record Period — Acquisition of Company A and Company B — Company A.” According to the financial statements of Company A audited by Company A’s statutory auditors in accordance with PRC GAAP: (a) the total assets of Company A amounted to RMB404.8 million as of December 31, 2019. Its total revenues, profit before tax and profit after tax amounted to RMB102.2 million, RMB10.3 million and RMB10.3 million, respectively, for the year ended December 31, 2019; and (b) the total assets of Company A amounted to RMB345.6 million as of December 31, 2018. Its total revenues was RMB439.6 million for the year ended December 31, 2018, and it recorded loss before tax of RMB12.7 million and loss after tax of RMB15.1 million for the same period.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, save for the subsequent events as described in Note 38 to the Accountant’s Report set forth in Appendix I to this prospectus and the recent developments as described in “Summary — Recent Developments”, there has been no material adverse change in our financial or trading position since September 30, 2020, being the end date of the periods reported in the Accountant’s Report in Appendix I to this prospectus, and there has been no event since September 30, 2020 that would materially affect the information as set out in the Accountant’s Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$110.00 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK\$105.00 and HK\$115.00 per Offer Share), we estimate that we will receive net proceeds of approximately HK\$39,477.4 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 35%, or HK\$13,817.1 million, will be used to enhance and grow our ecosystem, including but not limited to:
 - continue enriching and improving the quality and diversity of our content offerings on our platform in order to attract and retain a broad user base, including through (i) encouraging users to create content on our platform, and (ii) promoting new content categories that we have identified as addressing unmet user interests on our platform;
 - continue improving the experience of our users and business partners through improved functionalities and services, including (i) improving our functions and features to develop new interactive features and support our users in developing a following, (ii) expanding our suite of online marketing solutions, formats and options for advertisers to effectively reach their target audience and encouraging the improvement of the quality of ads, and (iii) growing our e-commerce marketplace and providing better tools to help merchants manage their businesses and to enhance users’ product discovery and purchasing experience;
 - further expand user reach and enhance user engagement through online and offline marketing and promotional activities, especially through targeted and precise marketing and promotional campaigns driven by insights into user preferences, such as app store advertisements and collaborations with targeted brands; and
 - continue developing and expanding our product and service offerings to fulfill evolving user needs that naturally arise from our ecosystem, including online games, online knowledge sharing and other products and services;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 30%, or HK\$11,843.2 million, will be used to strengthen our research and development and technological capabilities, including to:
 - invest in technologies to strengthen our technological capabilities in areas such as AI and big data, including to (i) continue developing deep reinforcement learning algorithms and MMU technology to further enhance our personalized recommendation engine, which enables us to amass deeper insights into user preferences and improve the quality of our products and services, (ii) expanding our big data computational engine to process the increasing amount of data generated on our platform, (iii) investing in our machine learning, computer vision and computer graphics capabilities to provide new and attractive content creation tools and further encourage content creation and interaction on our platform, and (iv) upgrading video compression and live streaming technologies to improve user experience by ensuring higher video quality, lower latency, faster upload speed and transmission stability under various network conditions;
 - continuously retain and incentivize our research and development talents, attract and cultivate top-notch experts, scientists, researchers and other talents in relevant fields such as AI and data analytics in order to support our research and development initiatives, including, but not limited to, (i) the development of superior video compression technologies and their large-scale implementation, (ii) the improvement of our streaming technologies to further enhance performance on our apps, and (iii) further refining our technology-driven features and functions on our apps such as AR, filters and other Special Effects; and
 - continuously upgrade and scale our IT infrastructure, including data centers and cloud computing bandwidth, to support our growing ecosystem as well as product and service offerings;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 25%, or HK\$9,869.4 million, will be used for selective acquisitions of or investment in products, services and businesses, particularly in areas such as content, social entertainment and software, that are complementary to our business and are in line with our philosophy and growth strategies, in particular to strengthen our technological position, enrich our ecosystem, attract new users to our platform and broaden our product and service offerings. We will seek out potential businesses and assets that provide synergies with our current business. In particular, we seek to make investments in products and services that address the user needs which arise from the interactions among our ecosystem participants. The Company employs internal approval procedures and governance policies to review and evaluate potential investment or acquisition opportunities in terms of strategic value, assets or businesses, potential synergies, financial return, investor rights and risk, among other criteria. We have no intention to use any portion of the net proceeds to settle the payments for the acquisitions referred to in the section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in respect of Companies and Business to be Acquired after the Track Record Period”. As of the Latest Practicable Date, we have not identified any other target of potential acquisition; and

- approximately 10%, or HK\$3,947.7 million, will be used for working capital and general corporate purposes.

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the purposes set out above on a pro rata basis.

After deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds of approximately HK\$41,276.0 million from the Global Offering, assuming the Offer Price is determined to be HK\$115.00 per Offer Share, being the high-end of the indicative Offer Price range stated in this prospectus, approximately HK\$37,678.9 million, assuming the Offer Price is determined to be HK\$105.00 per Offer Share, being the low-end of the indicative Offer Price range stated in this prospectus, and approximately HK\$39,477.4 million, assuming the Offer Price is determined to be HK\$110.00 per Offer Share, being the mid-end of indicative Offer Price range stated in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Assuming the Over-allotment Option was exercised in full, after deducting the underwriting commission and estimated related expenses payable by our Company, we estimate that the total net proceeds that we would receive would be (i) HK\$47,022.8 million (assuming an Offer Price of HK\$115.00 per Offer Share, being the high-end of the indicative Offer Price range stated in this prospectus), (ii) HK\$44,974.4 million (assuming an Offer Price of HK\$110.00 per Offer Share, being the mid-end of the indicative Offer Price range stated in this prospectus) and (iii) HK\$42,926.0 million (assuming an Offer Price of HK\$105.00 per Offer Share, being the low-end of the indicative Offer Price range stated in this prospectus); we also estimate the net proceeds that the Option Grantors would receive from the sale of Option Shares pursuant to the Global Offering would be (i) HK\$458.2 million (assuming an Offer Price of HK\$115.00 per Offer Share, being the high-end of the indicative Offer Price range stated in this prospectus), (ii) HK\$438.3 million (assuming an Offer Price of HK\$110.00 per Offer Share, being the mid-end of the indicative Offer Price range stated in this prospectus) and (iii) HK\$418.4 million (assuming an Offer Price of HK\$105.00 per Offer Share, being the low-end of the indicative Offer Price range stated in this prospectus). We will not receive net proceeds from the sale of Option Shares by the Option Grantors pursuant to the Over-allotment Option.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term interest-bearing accounts at authorized licensed banks.

We will issue announcements, where required, if there is any material change in the use of proceeds mentioned above.

UNDERWRITING

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
Merrill Lynch (Asia Pacific) Limited
China Renaissance Securities (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
ICBC International Securities Limited
Haitong International Securities Company Limited
CMB International Capital Limited
BOCI Asia Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on January 25, 2021. Pursuant to the Hong Kong Underwriting Agreement, we are offering 9,130,500 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 Offer Price.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Class B Shares in issue and to be issued pursuant to the Global Offering as mentioned in this prospectus (including any additional Shares which may be issued pursuant to (i) the Class B Shares on conversion of the Preferred Shares; (ii) the exercise of the Over-allotment Option; (iii) Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme; and (iv) conversion of Class A Shares into Class B Shares on a one to one basis), and certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Representatives (for themselves and on behalf of the Underwriters)) 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 Representatives (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 (in writing) to the Company, with immediate effect, if prior to 8:00 a.m. on the Listing Date:

- (A) there develops, occurs, exists or comes into effect:
 - (a) any new law or regulation or any change or development involving a prospective change in existing laws or regulations 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 United States, the United Kingdom, the European Union (or any member thereof), Singapore, Japan or the Cayman Islands (“**Relevant Jurisdictions**” and each a “**Relevant Jurisdiction**”); or
 - (b) any change or development involving a prospective change, or any event or series of events resulting in or likely to result in any change or development, or prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, the inter-bank markets, credit markets or 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), in or affecting Relevant Jurisdictions; or
 - (c) any event or series of events in the nature of *force majeure* (including any acts of government, declaration of a national or international emergency, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including Severe Acute Respiratory Syndrome (SARS), H1N1, H5N1, COVID-19 and such related/mutated forms or accident or interruption or delay in transportation), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), outbreak or escalation of hostilities (whether or not war is declared) or acts of God) in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (d) the imposition of any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (e) the imposition of any general moratorium on commercial banking activities in any Relevant Jurisdiction, or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or
- (f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States, the United Nation or the European Union (or any member thereof), the PRC or any other jurisdiction relevant to any member of the Group; or
- (g) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or
- (h) any adverse change or prospective adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of the Company or any member of the Group (including any litigation or claim of any third party being threatened or instigated against the Company or any member of the Group); or
- (i) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or
- (j) the resignation of any of the chairman, chief executive officer or an executive Director of the Company; or
- (k) any litigation, arbitration, proceeding or claim being threatened or instigated against any member of the Group; or

UNDERWRITING

- (l) a contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or applicable laws; or
- (m) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (n) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior consent of the Joint Sponsors; or
- (o) any order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (p) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity, which is legally enforceable,

which, individually or in the aggregate, in the opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

- (i) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, performance or prospects of the Group as a whole; or
- (ii) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

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- (iii) makes or will make or is likely to make it inadvisable, inexpedient or impracticable for any material part of the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or
 - (iv) has or will or is likely to have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing 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 Representatives (for themselves and on behalf of the Hong Kong Underwriters):
- (a) any breach of, or any matter, or event rendering untrue, incorrect or misleading in any respect, any of the representations, Warranties and undertakings given by the Company in the Hong Kong Underwriting Agreement; or
 - (b) that any statement contained in any of this prospectus, the Formal Notice, the **GREEN** Application Form, the Preliminary Offering Circular or the Offering Circular and any other document issued, given or used in connection with the contemplated offering and sale of the Offer Shares or otherwise in connection with the Global Offering, including any roadshow materials relating to the Offer Shares and, in each case, all amendments or supplements thereto (the “**Offering Documents**”) and/or in any notices, announcements, post-hearing information packs, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding information relating to the names and addresses of the Underwriters disclosed therein) was, when it was issued, or has become, untrue, incorrect, inaccurate in any material respect or misleading, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of the Offering Documents and/or any notices, announcements, post-hearing information packs, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions in a material respect, when taken as a whole; or

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- (c) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom; or
- (d) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
- (e) any material adverse effect or any development involving a prospective material adverse effect, on the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, position or condition (financial or otherwise), results of operations, or prospectus of the Group, taken as a whole; or
- (f) a prohibition on the Company for whatever reason from offering, allotting or selling the Shares (including the Option Shares) pursuant to the terms of the Global Offering; or
- (g) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) any expert, whose consent is required for the issue of this 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 withdrawal of consent by any Joint Sponsor) prior to the issue of this prospectus; or
- (i) the Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

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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 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 for:

- (1) the Global Offering (including the exercise of the Over-allotment Option);
- (2) any capitalization issue, capital reduction or consolidation or sub-division of shares; or
- (3) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for (i) any Class B Shares issued pursuant to the Global Offering (including pursuant to the Over-allotment Option), (ii) any Class B Shares issued upon the conversion of securities of the Company outstanding on the date hereof as disclosed in the prospectus, and (iii) any Class B Shares which may be issued under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme), during the period commencing on the date of this Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company), or deposit any Shares or other equity securities of the Company, with a depositary in connection with the issue of depositary receipts; or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other equity securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company, or in cash or otherwise provided that the foregoing restrictions shall not apply to (1) the issue of Shares by the Company pursuant to the Global Offering (including pursuant to the Over-allotment Option), (2) any issue of the Shares upon the conversion of securities of the Company outstanding on the date hereof as disclosed in the Hong Kong prospectus, and (3) any Shares which may be issued under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme (whether or not the allotment or issue of Shares or such other securities will be completed within the First Six-Month Period).

Undertaking by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each Controlling Shareholder has undertaken to each of the Stock Exchange and our Company that he or it shall not and shall procure that the relevant registered holder(s) (if any) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

- (i) in the period commencing on the date by reference to which disclosure of his or its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Relevant Securities**”); and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a Controlling Shareholder (as defined in the Listing Rules) of the Company.

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In addition, in accordance with Note 3 to Rule 10.07 of the Listing Rules, each Controlling Shareholder has undertaken to the Stock Exchange and our Company that, during the period commencing on the date by reference to which disclosure of his or its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (a) when he or it pledges and/or charges any Shares or other Securities of our Company beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged and/or charged Shares will be disposed of, immediately inform our Company of such indications.

Undertakings by our other existing Shareholders

Substantially all existing Shareholders and the Employee Shareholding Platforms has each undertaken to the Company, the Joint Sponsors and the Joint Representatives that it will not, and will cause its respective affiliates not to, dispose of the Relevant Shares for a period of six months from the Listing Date, save for certain special circumstances.

Together with the Controlling Shareholders (who are subject to separate lock-up undertakings, see “Undertaking by the Controlling Shareholders” above), these existing Shareholders and the Employee Shareholding Platforms who are subject to the above undertaking amount to, in aggregate, approximately 90.79% of the issued share capital of the Company immediately upon Listing (assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon the Listing, and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme).

For the purpose of the above undertaking, “Relevant Shares” means the Class B Shares as reclassified, redesignated and subdivided from the Preferred Shares and/or ordinary shares as held by them on the date of the Prospectus in the manner as set out in the prospectus as if the reclassification, redesignation and subdivision has been completed on the date of the prospectus; “dispose of” means:

- (A) offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose, grant any option, warrant or right to purchase, sell, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or create any third party right of whatever nature over any Relevant Shares or any other securities convertible into or exercisable or exchangeable for such Relevant Shares, or that represent the right to receive, such Relevant Shares, or any interest in them; or

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- (B) enter into any option, swap or other arrangement that transfers to another, in whole or in part, any beneficial ownership of the Relevant Shares or any of the economic consequences or incidents of ownership of Relevant Shares or any other securities of the Company or any interest therein or which transfers or derives any significant part of its value from such Relevant Shares; or
- (C) enter into any transaction, directly or indirectly, with the same economic effect as any transaction specified in paragraph (A) or (B) above; or
- (D) agree, contract to effect or publicly disclose any transaction specified in paragraph (A), (B) or (C) above, in each case, whether any of the transactions specified in paragraph (A), (B) or (C) above is to be settled by delivery of Relevant Shares or such other securities convertible into or exercisable or exchangeable for the Relevant Shares of the Company or in cash or otherwise (whether or not the issue of Relevant Shares or such other securities will be completed within the aforesaid period).

Indemnity

We have agreed to indemnify the Joint Global Coordinators, the Joint Representatives, 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.

Commission and Expenses and Joint Sponsors' Fee

The Joint Representatives (for themselves and on behalf of the Underwriters) will receive an underwriting commission of 1.5% 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 Company will pay an underwriting commission as set out in the International Underwriting Agreement, and such commission will be paid to the Joint Representatives (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.

Without taking into account any Option Shares upon the exercise of the Over-allotment Option, based on an Offer Price of HK\$110.00 (being the mid-point of the indicative Offer Price range stated in this prospectus), 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, legal and other professional fees and printing and other expenses relating to the Global Offering, payable by us, are estimated to be approximately HK\$696.6 million, which is subject to adjustment to be agreed by the Company, the Joint Representatives and other parties.

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Each of the Joint Sponsors will receive a fee of US\$300,000 for acting as the sponsors for the Listing.

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 Class B 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 will enter into the International Underwriting Agreement with, among others, the Joint Representatives (on behalf of the International Underwriters). Under the International Underwriting Agreement and subject to the Over-allotment Option, it is expected 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. In respect of the International Offering, we expect to pay an underwriting commission equal to 1.5% of the aggregate Offer Price payable in respect of all International Offer Shares (including any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). See “Structure of the Global Offering — The International Offering” for details.

Over-allotment Option

The Company and the Option Grantors expect to grant to the International Underwriters, exercisable by the Joint Representatives (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 4,045,400 Class B Shares by the Option Grantors and issue up to 50,737,300 new Class B Shares by the Company, representing in aggregate approximately 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.

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RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, 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 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. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in mainland China or the United States.

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.

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 B Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Class B Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Class B Shares) in the Global Offering, proprietary trading in the Class B 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 B 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 B Shares, which may

UNDERWRITING

have a negative impact on the trading price of the Class B 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 B Shares, in baskets of securities or indices including the Class B Shares, in units of funds that may purchase the Class B 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 B 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 B Shares in most cases.

Such activities may affect the market price or value of the Class B Shares, the liquidity or trading volume in the Class B Shares and the volatility of the price of the Class B Shares, and the extent to which this occurs from day to day cannot be estimated.

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.

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 Global Offering comprises of:

- (a) the Hong Kong Public Offering of initially 9,130,500 Offer Shares (subject to reallocation and adjustment) in Hong Kong as described below in “— The Hong Kong Public Offering”; and
- (b) the International Offering of initially 356,088,100 Offer Shares (subject to reallocation, adjustment and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the U.S. Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offering Shares under the International Offering, but may not do both.

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Class B Shares Initially Offered

We are initially offering 9,130,500 Hong Kong Offer Shares, representing approximately 2.5% of the total number of Offer Shares initially available under the Global Offering, at the 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 0.22% of our Company’s issued share capital immediately after completion of the Global Offering (assuming (a) the Over-allotment Option is not exercised; (b) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (c) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme).

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.

STRUCTURE OF THE GLOBAL OFFERING

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “— Conditions of the Hong Kong Public Offering” in this section 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:

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 and the Stock Exchange trading fee payable) or less.

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 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 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 4,565,200 Hong Kong Offer Shares (being 50% of the 9,130,500 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

STRUCTURE OF THE GLOBAL OFFERING

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. We have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules to the effect as further described below (the “**Mandatory Reallocation**”):

- (i) 9,130,500 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 2.5% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or oversubscribed,

- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 13 times or more but less than 48 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 18,261,000 Offer Shares, representing approximately 5.0% of the Offer Shares initially available under the Global Offering;
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 48 times or more but less than 95 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 20,087,100 Offer Shares, representing approximately 5.5% 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 95 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 21,913,200 Offer Shares, representing approximately 6.0% of the Offer Shares initially available under the Global Offering.

STRUCTURE OF 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 Representatives (for themselves and on behalf of the Underwriters) and the Joint Sponsors. Subject to the foregoing paragraph, the Joint Representatives 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 Representatives 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 Representatives and the Joint Sponsors deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Representatives (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 pursuant to HKEx-GL91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 13 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK\$105 (low-end of the indicative Offer Price), up to 9,130,500 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 18,261,000 Offer Shares, representing 5.0% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

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 Offering 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 Offering Shares under the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$115.00 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “— Pricing and Allocation” in this section below, is less than the maximum price of HK\$115.00 per Offer Share, appropriate refund payments (including the brokerage, SFC 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 “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 356,088,100, representing approximately 97.5% 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 8.67% of our Company’s issued share capital immediately after completion of the Global Offering (assuming (a) the Over-allotment Option is not exercised; (b) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (c) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme).

Allocation

Pursuant to the International Offering, the International Offering Shares will be conditionally placed on behalf of our Company by the International Purchasers or through selling agents appointed by them. International Offering Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing and Allocation” in this section 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, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the 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.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Representatives (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 Representatives (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 issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation” in this section above, the exercise of the Over-allotment Option in whole or in part described in “— Over-allotment Option” in this section and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering at the discretion of the Joint Representatives.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that the Company and the Option Grantors will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Joint Representatives (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Representatives (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 Company to issue up to 50,737,300 new Class B Shares and to require the Option Grantors to sell up to 4,045,400 Class B Shares, representing in aggregate approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, a public announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

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 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 short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 54,782,700 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares;
- (b) selling or agreeing to sell the 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 Shares;
- (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling or agreeing to sell any of our 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 (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Sunday, February 28, 2021. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the

STRUCTURE OF THE GLOBAL OFFERING

open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager (or its affiliate(s)) may choose to borrow up to 54,782,700 Class B Shares from Reach Best and Ke Yong in aggregate, representing 15% of the Offer Shares initially being offered under the Global Offering, pursuant to the Stock Borrowing Agreement. If such Stock Borrowing Agreement is entered into, it will comply with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus not subject to the restrictions of Rule 10.07(1) of the Listing Rules, and it will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering. If the Over-allotment Option is exercised in full, 4,045,400 Class B Shares will be sold by the Option Grantors and 50,737,300 Class B Shares will be returned to Reach Best and Ke Yong. If the Over-allotment Option is not exercised, all 54,782,700 Class B Shares will be returned to Reach Best and Ke Yong.

PRICING AND ALLOCATION

Determining the 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 around, the last day for lodging applications under the Hong Kong Public Offering.

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 Friday, January 29, 2021 and in any event no later than Tuesday, February 2, 2021, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share, as determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company and the Controlling Shareholders.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will not be more than HK\$115.00 per Offer Share and is expected to be not less than HK\$105.00 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$115.00 per each Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$115.00, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, February 2, 2021, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range 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 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 day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.kaishou.com, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. 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 the prospectus and any other financial information which may change materially as a result of such reduction.

STRUCTURE OF THE GLOBAL OFFERING

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 and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Representatives, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range 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.

In the event of a reduction in the number of Offer Shares, the Joint Representatives (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 2.5% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Representatives (for themselves and on behalf of the Underwriters).

Announcement of Offer Price and Basis of Allocations

The final 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, February 4, 2021 on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.kuaishou.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 and the Joint Representatives, for themselves and on behalf of the Underwriters, agreeing on the 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 “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

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 B Shares in issue (including the Class B Shares on conversion of the Preferred Shares) and the Class B Shares to be issued pursuant to the (i) Global Offering, (ii) the exercise of the Over-allotment Option, (iii) the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme and (iv) conversion of Class A Shares into Class B Shares on a one to one basis/the Class B Shares that are issuable upon conversion of the Class A, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Class B Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between our Company and the Joint Representatives (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 Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before Tuesday, February 2, 2021, 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.

STRUCTURE OF THE GLOBAL OFFERING

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 www.kuaishou.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 “How to Apply for Hong Kong Offer Shares — 14. 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 “Underwriting — Underwriting Arrangements — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

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, the Class B Shares in issue and to be issued by us pursuant to the Global Offering (including the additional Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option, any additional Shares which may be issued pursuant to the Pre-IPO ESOP, the Post-IPO Share Option Scheme, Share Award Scheme and the conversion of the Preferred Shares).

No part of the Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

STRUCTURE OF THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Class B Shares to be admitted into CCASS, established and operated by the HKSCC.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Class B Shares and our Company complies with the stock admission requirements of HKSCC, the Class B 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 B Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business 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.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, February 5, 2021, it is expected that dealings in the Class B Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, February 5, 2021. The Class B Shares will be traded in board lots of 100 Class B Shares.

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 www.kuaishou.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.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 (i) from 9:00 a.m. to 9:00 p.m. on Tuesday, January 26, 2021 to Thursday, January 28, 2021; and (ii) from 9:00 a.m. to 12:00 noon on Friday, January 29, 2021.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

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 Representatives, 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. WHO CAN APPLY

Eligibility for the Application

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;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If an application is made by a person under a power of attorney, the Joint Representatives 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 **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offering Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- (a) have a valid Hong Kong identity card number; and
- (b) provide a valid e-mail address and a contact telephone number.

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.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Representatives (or their agents or nominees), 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 (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Act and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied 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 in this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vi) agree that none of the Company, the Joint Representatives, the Underwriters, the **White Form eIPO** Service Provider, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering 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 Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Representatives, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (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, the Joint Representatives and the Underwriters nor any of their respective officers or advisors 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;
- (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) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xv) authorize the Company to place your name(s) or the name of the 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 instructions 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;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (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 to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (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.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this document acknowledge that each applicant and 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 (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

KUAISHOU TECHNOLOGY (HK\$115 per Hong Kong Offer Share) NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS							
No. of Hong Kong Offer Shares applied for		No. of Hong Kong Offer Shares applied for		No. of Hong Kong Offer Shares applied for		No. of Hong Kong Offer Shares applied	Amount payable for on application
Amount payable on application		Amount payable on application		Amount payable on application		Amount payable for on application	
HK\$		HK\$		HK\$		HK\$	
100	11,615.89	2,500	290,397.14	30,000	3,484,765.65	600,000	69,695,313.00
200	23,231.77	3,000	348,476.57	40,000	4,646,354.20	700,000	81,311,198.50
300	34,847.66	3,500	406,556.00	50,000	5,807,942.75	800,000	92,927,084.00
400	46,463.54	4,000	464,635.42	60,000	6,969,531.30	900,000	104,542,969.50
500	58,079.43	4,500	522,714.85	70,000	8,131,119.85	1,000,000	116,158,855.00
600	69,695.31	5,000	580,794.28	80,000	9,292,708.40	1,500,000	174,238,282.50
700	81,311.20	6,000	696,953.13	90,000	10,454,296.95	2,000,000	232,317,710.00
800	92,927.08	7,000	813,111.99	100,000	11,615,885.50	2,500,000	290,397,137.50
900	104,542.97	8,000	929,270.84	200,000	23,231,771.00	3,000,000	348,476,565.00
1,000	116,158.86	9,000	1,045,429.70	300,000	34,847,656.50	3,500,000	406,555,992.50
1,500	174,238.29	10,000	1,161,588.55	400,000	46,463,542.00	4,000,000	464,635,420.00
2,000	232,317.71	20,000	2,323,177.10	500,000	58,079,427.50	4,565,200 ⁽¹⁾	530,288,404.85
						(1)	Maximum number of Hong Kong Offer Shares you may apply for.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria set out in the sub-section 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 website 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.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8600 which is available (i) from 9:00 a.m. to 9:00 p.m. on Tuesday, January 26, 2021 to Thursday, January 28, 2021; and (ii) from 9:00 a.m. to 12:00 noon on Friday, January 29, 2021.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, January 26, 2021 until 11:30 a.m. on Friday, January 29, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, January 29, 2021 or such later time under the “— 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section.

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service 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 “Kuaishou Technology” **White Form eIPO** application submitted via the www.eipo.com.hk to support sustainability.

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING THROUGH CCASS EIPO SERVICE

General

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. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money 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 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 Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong if you complete an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our Hong Kong Share Registrar.

Applying through CCASS EIPO service

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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 instructions** 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 Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of 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;
- confirm that you have received and/or 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, the Joint Representatives, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Representatives, the Underwriters and/or its respective advisors and agents;
- 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 before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us 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 before the fifth day after the time of the opening of the application lists (excluding any day which is 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 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 (as applied by Section 342E 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 Hong Kong Public Offering results;
- 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 the 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 (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 the Laws of Hong Kong.

Effect of Applying through CCASS EIPO service

By applying through **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 Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, January 26, 2021 — 9:00 a.m. to 8:30 p.m.

Wednesday, January 27, 2021 — 8:00 a.m. to 8:30 p.m.

Thursday, January 28, 2021 — 8:00 a.m. to 8:30 p.m.

Friday, January 29, 2021 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, January 26, 2021 until 12:00 noon on Friday, January 29, 2021 (24 hours daily, except on Friday, January 29, 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, January 29, 2021, the last application day or such later time as described in “— 10. Effect of Bad Weather 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.

Note:

- (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

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Representatives, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **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 applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its 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 its 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, 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 Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's 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 Company's 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 Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Transfer of personal data

Personal data held by the Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its 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 bankers 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.

Retention of personal data

The Company and its 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 fulfil 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of 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 application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted 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 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 Friday, January 29, 2021, the last day for applications, or such later time as described in "10. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

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**), and the number of Hong Kong Offer Shares applied 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 behalf.

For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

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 Hong Kong 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).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$115.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$11,615.89.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares.

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 table in “— 4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- 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 Friday, January 29, 2021. 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 in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the application lists do not open and close on Friday, January 29, 2021 or if there is/are 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 on our website at www.kuaishou.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication 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 on Thursday, February 4, 2021 on the Company’s website at www.kuaishou.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

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 www.kuaishou.com and the Hong Kong Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, February 4, 2021;
- from the designated results of allocations website at www.iporeresults.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, February 4, 2021 to 12:00 midnight on Wednesday, February 10, 2021; and
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, February 4, 2021, Friday, February 5, 2021, Monday, February 8, 2021 and Tuesday, February 9, 2021.

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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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.

12. 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 allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** Service Provider, 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 Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- (b) 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Representatives, 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:

- you make multiple applications or suspected multiple applications;
- 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 Offering 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 or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Representatives 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, February 4, 2021.

14. 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 through the **CCASS EIPO** service 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.

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, February 4, 2021. 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. Friday, February 5, 2021, provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from 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, February 4, 2021, or such other 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, 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, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, February 4, 2021 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.

(ii) If you apply through CCASS EIPO service

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, February 4, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 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 allotment of the Hong Kong Public Offering in the manner specified in “11. Publication of Results” above on Thursday, February 4, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, February 4, 2021 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 allotted 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 allotted 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, February 4, 2021. 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.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, February 4, 2021.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Class B Shares and we comply with the stock admission requirements of HKSCC, the Class B 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 B Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business 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 Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, 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 KUAISHOU TECHNOLOGY AND MORGAN STANLEY ASIA LIMITED, MERRILL LYNCH FAR EAST LIMITED AND CHINA RENAISSANCE SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Kuaishou Technology (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-121, which comprises the consolidated balance sheets as at December 31, 2017, 2018 and 2019, and September 30, 2020, the company balance sheets as at December 31, 2017, 2018 and 2019, and September 30, 2020, and the consolidated income statements, the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 (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-4 to I-121 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated January 26, 2021 (the “**Prospectus**”) in connection with the initial 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 preparation set out in Note 2.1 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.

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 preparation set out in Note 2.1 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 at December 31, 2017, 2018 and 2019 and September 30, 2020, the consolidated financial position of the Group as at December 31, 2017, 2018 and 2019 and September 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended September 30, 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance

with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review 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 International 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 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 Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 26 to the Historical Financial Information which states that no dividends have been paid by Kuaishou Technology in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, January 26, 2021

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 financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB ("**Underlying Financial Statements**").

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 INCOME STATEMENTS

	Note	Year ended December 31,			Nine months ended	
		2017	2018	2019	September 30,	
		RMB'000	RMB'000	RMB'000	2019	2020
				RMB'000	RMB'000	
					(Unaudited)	
Revenues	6	8,339,578	20,300,645	39,120,348	27,267,968	40,677,441
Cost of revenues	9	(5,728,748)	(14,498,423)	(25,016,774)	(17,798,136)	(25,366,636)
Gross profit		2,610,830	5,802,222	14,103,574	9,469,832	15,310,805
Selling and marketing expenses	9	(1,359,624)	(4,262,046)	(9,865,026)	(5,578,609)	(19,833,271)
Administrative expenses	9	(227,968)	(542,417)	(865,375)	(572,674)	(1,081,347)
Research and development expenses	9	(476,618)	(1,755,324)	(2,944,277)	(2,049,564)	(4,117,907)
Other income	7	19,290	107,575	292,631	183,139	396,151
Other gains/(losses), net	8	42,041	129,277	(32,843)	211,180	383,141
Operating profit/(loss)		607,951	(520,713)	688,684	1,663,304	(8,942,428)
Finance (expense)/income, net	11	(26,076)	52,164	(11,037)	6,284	(26,571)
Fair value changes of convertible redeemable preferred shares	32	(20,522,376)	(11,932,515)	(19,943,114)	(2,890,090)	(89,150,056)
Loss before income tax		(19,940,501)	(12,401,064)	(19,265,467)	(1,220,502)	(98,119,055)
Income tax (expenses)/benefits	13	(104,449)	(28,221)	(386,067)	(396,943)	747,593
Loss for the year/period attributable to equity holders of the Company		<u>(20,044,950)</u>	<u>(12,429,285)</u>	<u>(19,651,534)</u>	<u>(1,617,445)</u>	<u>(97,371,462)</u>
Loss per share for the loss attributable to the equity holders of the Company (expressed in RMB per share)	14					
Basic loss per share		<u>(21.46)</u>	<u>(13.31)</u>	<u>(21.04)</u>	<u>(1.73)</u>	<u>(104.54)</u>
Diluted loss per share		<u>(21.46)</u>	<u>(13.31)</u>	<u>(21.04)</u>	<u>(1.73)</u>	<u>(104.54)</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended December 31,			Nine months ended	
		2017	2018	2019	September 30,	
		RMB'000	RMB'000	RMB'000	2019	2020
						(Unaudited)
Loss for the year/period		(20,044,950)	(12,429,285)	(19,651,534)	(1,617,445)	(97,371,462)
Other comprehensive income/(loss)						
<i>Items that will not be reclassified to</i>						
<i>profit or loss</i>						
Fair value change on convertible						
redeemable preferred shares due						
to own credit risk.	32	(58,351)	4,838	(17,338)	(10,186)	(903)
Currency translation differences . . .		1,322,633	(1,708,857)	(828,082)	(1,185,842)	3,642,134
<i>Items that may be reclassified</i>						
<i>subsequently to profit or loss</i>						
Currency translation differences . . .		(440,726)	(87,294)	(82,915)	(162,622)	306,524
Other comprehensive						
income/(loss) for the						
year/period, net of taxes.		823,556	(1,791,313)	(928,335)	(1,358,650)	3,947,755
Total comprehensive loss						
for the year/period						
attributable to equity holders						
of the Company		<u>(19,221,394)</u>	<u>(14,220,598)</u>	<u>(20,579,869)</u>	<u>(2,976,095)</u>	<u>(93,423,707)</u>

CONSOLIDATED BALANCE SHEETS

	Note	As of December 31,			As of
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
				RMB'000	
ASSETS					
Non-current assets					
Property and equipment . . .	15	1,057,278	2,420,770	6,232,305	7,021,382
Right-of-use assets	16	865,623	1,272,218	4,352,638	5,394,482
Intangible assets	17	34,875	1,045,816	1,120,308	1,253,694
Financial assets at fair value through profit or loss	20	49,200	677,919	2,258,272	3,998,760
Deferred tax assets	31	7,811	161,920	860,185	2,151,821
Long-term time deposits . . .	23	—	—	110,000	610,000
Other non-current assets . . .		37,466	117,738	169,594	208,828
		<u>2,052,253</u>	<u>5,696,381</u>	<u>15,103,302</u>	<u>20,638,967</u>
Current assets					
Trade receivables	21	136,641	129,045	1,107,440	1,812,648
Prepayments, other receivables and other current assets	22	92,557	724,950	2,032,754	2,179,047
Financial assets at fair value through profit or loss	20	2,472,037	4,273,517	8,902,270	8,546,045
Short-term time deposits . .	23	—	—	1,270,994	10,634,150
Restricted cash	23	251,893	285,274	1,386	5,253
Cash and cash equivalents .	23	2,688,512	5,370,332	3,996,236	7,703,012
		<u>5,641,640</u>	<u>10,783,118</u>	<u>17,311,080</u>	<u>30,880,155</u>
Total assets		<u><u>7,693,893</u></u>	<u><u>16,479,499</u></u>	<u><u>32,414,382</u></u>	<u><u>51,519,122</u></u>

CONSOLIDATED BALANCE SHEETS (continued)

	Note	As of December 31,			As of
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
				RMB'000	
EQUITY AND					
LIABILITIES					
Equity attributable to					
equity holders of the					
Company					
Share capital	24	30	30	30	30
Other reserves	25	1,016,820	(28,397)	(321,281)	4,437,845
Accumulated losses		(23,202,335)	(35,676,115)	(55,407,785)	(152,779,247)
Total equity		(22,185,485)	(35,704,482)	(55,729,036)	(148,341,372)
LIABILITIES					
Non-current liabilities					
Lease liabilities	16	695,784	892,257	3,287,984	3,945,201
Deferred tax liabilities	31	—	37,885	37,500	33,589
Convertible redeemable					
preferred shares	32	26,652,555	47,211,431	69,444,163	52,389,987
		27,348,339	48,141,573	72,769,647	56,368,777
Current liabilities					
Borrowings		—	—	—	300,000
Accounts payables	28	1,802,517	2,025,563	9,055,133	10,913,350
Other payables and					
accruals	29	271,324	844,619	3,027,568	4,092,739
Advances from customers . .	30	190,074	475,553	1,529,608	3,031,158
Income tax liabilities		91,923	198,132	424,414	435,136
Convertible redeemable					
preferred shares	32	—	—	—	122,847,844
Lease liabilities	16	175,201	498,541	1,337,048	1,871,490
		2,531,039	4,042,408	15,373,771	143,491,717
Total liabilities		29,879,378	52,183,981	88,143,418	199,860,494
Total equity and					
liabilities		7,693,893	16,479,499	32,414,382	51,519,122

COMPANY BALANCE SHEETS

	Note	As of December 31,			As of
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
				RMB'000	
ASSETS					
Non-current assets					
Investments in subsidiaries . . .	18	467,167	1,168,768	1,911,071	2,844,173
		<u>467,167</u>	<u>1,168,768</u>	<u>1,911,071</u>	<u>2,844,173</u>
Current assets					
Prepayments, other receivables and other current assets	22	1,107,031	5,624,083	9,191,993	23,826,694
Financial assets at fair value through profit or loss		1,203,868	1,737,542	294,081	2,073,170
Short-term time deposits . . .	23	—	—	1,270,994	3,541,252
Restricted cash		251,893	264,576	—	—
Cash and cash equivalents . .	23	1,672,129	3,683,005	1,940,474	3,533,397
		<u>4,234,921</u>	<u>11,309,206</u>	<u>12,697,542</u>	<u>32,974,513</u>
Total assets		<u>4,702,088</u>	<u>12,477,974</u>	<u>14,608,613</u>	<u>35,818,686</u>
EQUITY AND					
LIABILITIES					
Equity attributable to					
equity holders of the					
Company					
Share capital	24	30	30	30	30
Other reserves	25	1,112,231	109,813	(180,292)	4,272,310
Accumulated losses		(23,063,046)	(34,844,663)	(54,655,746)	(143,706,322)
Total equity		<u>(21,950,785)</u>	<u>(34,734,820)</u>	<u>(54,836,008)</u>	<u>(139,433,982)</u>

COMPANY BALANCE SHEETS (continued)

	Note	As of December 31,			As of
		2017	2018	2019	September 30,
		RMB'000	RMB'000	RMB'000	2020
				RMB'000	
LIABILITIES					
Non-current liabilities					
Convertible redeemable					
preferred shares	32	26,652,555	47,211,431	69,444,163	52,389,987
		<u>26,652,555</u>	<u>47,211,431</u>	<u>69,444,163</u>	<u>52,389,987</u>
Current liabilities					
Accounts payables		—	1,029	119	227
Other payables and accruals .		318	334	339	14,610
Convertible redeemable					
preferred shares	32	—	—	—	122,847,844
		<u>318</u>	<u>1,363</u>	<u>458</u>	<u>122,862,681</u>
Total liabilities		<u>26,652,873</u>	<u>47,212,794</u>	<u>69,444,621</u>	<u>175,252,668</u>
Total equity and liabilities .		<u>4,702,088</u>	<u>12,477,974</u>	<u>14,608,613</u>	<u>35,818,686</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Attributable to owners of the Company			Total
		Share capital	Other reserves	Accumulated losses	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Balance at January 1, 2017		30	(162,709)	(3,097,947)	(3,260,626)
Loss for the year		—	—	(20,044,950)	(20,044,950)
Other comprehensive income/(loss)					
Fair value change on convertible redeemable preferred shares due to own credit risk	25	—	(58,351)	—	(58,351)
Currency translation differences	25	—	881,907	—	881,907
Total comprehensive income/(loss) for the year		<u>—</u>	<u>823,556</u>	<u>(20,044,950)</u>	<u>(19,221,394)</u>
Transactions with owners in their capacity as owners					
Share-based compensation	27	—	296,535	—	296,535
Appropriations to statutory reserves	25	—	59,438	(59,438)	—
Total transactions with owners in their capacity as owners		<u>—</u>	<u>355,973</u>	<u>(59,438)</u>	<u>296,535</u>
Balance at December 31, 2017		<u>30</u>	<u>1,016,820</u>	<u>(23,202,335)</u>	<u>(22,185,485)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1,					
2018		30	1,016,820	(23,202,335)	(22,185,485)
Loss for the year		—	—	(12,429,285)	(12,429,285)
Other comprehensive income/(loss)					
Fair value change on convertible redeemable preferred shares due to own credit risk	25	—	4,838	—	4,838
Currency translation differences	25	—	(1,796,151)	—	(1,796,151)
Total comprehensive loss for the year		<u>—</u>	<u>(1,791,313)</u>	<u>(12,429,285)</u>	<u>(14,220,598)</u>
Transactions with owners in their capacity as owners					
Share-based compensation	27	—	701,601	—	701,601
Appropriations to statutory reserves	25	—	44,495	(44,495)	—
Total transactions with owners in their capacity as owners		<u>—</u>	<u>746,096</u>	<u>(44,495)</u>	<u>701,601</u>
Balance at December 31, 2018		<u>30</u>	<u>(28,397)</u>	<u>(35,676,115)</u>	<u>(35,704,482)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	<i>Note</i>	Attributable to owners of the Company			Total
		Share capital	Other reserves	Accumulated losses	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Balance at January 1,					
2019		30	(28,397)	(35,676,115)	(35,704,482)
Loss for the year		—	—	(19,651,534)	(19,651,534)
Other comprehensive loss.					
Fair value change on					
convertible redeemable					
preferred shares due to					
own credit risk	25	—	(17,338)	—	(17,338)
Currency translation					
differences	25	—	(910,997)	—	(910,997)
Total comprehensive loss					
for the year		<u>—</u>	<u>(928,335)</u>	<u>(19,651,534)</u>	<u>(20,579,869)</u>
Transactions with owners					
in their capacity as					
owners					
Share-based compensation .	27	—	742,303	—	742,303
Appropriations to statutory					
reserves	25	—	80,136	(80,136)	—
Net exercise of share					
options	25	—	(186,988)	—	(186,988)
Total transactions with					
owners in their					
capacity as owners		<u>—</u>	<u>635,451</u>	<u>(80,136)</u>	<u>555,315</u>
Balance at December 31,					
2019		<u>30</u>	<u>(321,281)</u>	<u>(55,407,785)</u>	<u>(55,729,036)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Balance at January 1,					
2019		30	(28,397)	(35,676,115)	(35,704,482)
Loss for the period		—	—	(1,617,445)	(1,617,445)
Other comprehensive loss					
Fair value change on					
convertible redeemable					
preferred shares due to					
own credit risk	25	—	(10,186)	—	(10,186)
Currency translation					
differences	25	—	(1,348,464)	—	(1,348,464)
Total comprehensive loss					
for the period		—	(1,358,650)	(1,617,445)	(2,976,095)
Transactions with owners					
in their capacity as					
owners					
Share-based compensation .	27	—	564,039	—	564,039
Total transactions with					
owners in their					
capacity as owners		—	564,039	—	564,039
Balance at September 30,					
2019		30	(823,008)	(37,293,560)	(38,116,538)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	<i>Note</i>	Attributable to owners of the Company			Total
		Share capital	Other reserves	Accumulated losses	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Balance at January 1,					
2020		30	(321,281)	(55,407,785)	(55,729,036)
Loss for the period		—	—	(97,371,462)	(97,371,462)
Other comprehensive					
income/(loss)					
Fair value change on					
convertible redeemable					
preferred shares due to					
own credit risk	25	—	(903)	—	(903)
Currency translation					
differences	25	—	3,948,658	—	3,948,658
Total comprehensive					
income/(loss) for the					
period		—	3,947,755	(97,371,462)	(93,423,707)
Transactions with owners					
in their capacity as					
owners					
Share-based compensation .	27	—	933,102	—	933,102
Re-designation of ordinary					
shares to Preferred					
Shares	24	—	(121,731)	—	(121,731)
Total transactions with					
owners in their					
capacity as owners		—	811,371	—	811,371
Balance at September 30,					
2020		30	4,437,845	(152,779,247)	(148,341,372)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Cash flows from operating activities						
Cash generated from/(used in)						
operations	34	2,075,755	1,897,613	8,882,368	6,511,003	(93,382)
Income tax paid		(20,337)	(78,359)	(862,278)	(399,033)	(675,035)
Net cash generated from/(used in) operating activities		2,055,418	1,819,254	8,020,090	6,111,970	(768,417)
Cash flows from investing activities						
Purchase of property, equipment and intangible assets						
		(376,105)	(2,866,421)	(2,548,294)	(860,710)	(4,376,282)
Proceeds from disposal of property, equipment and intangible assets						
		256	315	739	194	275
Purchase of investments in non-current financial assets at fair value through profit or loss						
		(47,924)	(628,899)	(1,909,437)	(1,887,072)	(1,738,386)
Proceeds from disposal of non-current financial assets at fair value through profit or loss						
		—	—	20,000	—	12,800
Purchase of investments in current financial assets at fair value through profit or loss						
		(5,849,487)	(17,428,746)	(55,382,981)	(37,620,546)	(44,329,687)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss						
		3,376,458	15,785,767	51,079,255	32,086,139	44,961,282
Purchase of time deposits with initial terms over three months						
		—	—	(1,735,524)	(434,530)	(14,905,760)
Proceeds from maturity of time deposits with initial terms over three months						
		—	—	354,530	354,530	4,767,082
Interest income received						
		—	—	5,581	3,622	38,388
Acquisition of subsidiaries, net of cash acquired						
	33	—	(485,100)	(32,429)	—	—
Net cash used in investing activities		(2,896,802)	(5,623,084)	(10,148,560)	(8,358,373)	(15,570,288)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Note	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Cash flows from financing activities						
Proceeds from issuance of convertible redeemable preferred shares		2,419,863	6,300,116	1,273,032	—	20,956,542
Release of restricted cash from issuance of convertible redeemable preferred shares		—	—	253,723	253,723	—
Proceeds from borrowings		—	—	—	—	300,000
Payments for principal elements of lease and related interest		(25,304)	(265,758)	(641,716)	(406,097)	(1,169,302)
Payment for net exercise of share options		—	—	(186,988)	—	—
Finance costs paid		(36,323)	(826)	—	—	(20,176)
Net cash generated from/(used in) financing activities		<u>2,358,236</u>	<u>6,033,532</u>	<u>698,051</u>	<u>(152,374)</u>	<u>20,067,064</u>
Net increase/(decrease) in cash and cash equivalents		1,516,852	2,229,702	(1,430,419)	(2,398,777)	3,728,359
Cash and cash equivalents at the beginning of the year/period	23(a)	1,301,005	2,688,512	5,370,332	5,370,332	3,996,236
Effects of exchange rate changes on cash and cash equivalents		(129,345)	452,118	56,323	126,676	(21,583)
Cash and cash equivalents at the end of the year/period	23(a)	<u>2,688,512</u>	<u>5,370,332</u>	<u>3,996,236</u>	<u>3,098,231</u>	<u>7,703,012</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information and reorganization

1.1 General information

Kuaishou Technology (the “**Company**”) was incorporated in the Cayman Islands on February 11, 2014 as an exempted company with limited liability. The registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”), provides live streaming services, online marketing services and other services to its customers.

There is no ultimate controlling shareholder of the Company as of the date of the report.

1.2 History and reorganization of the Group

Prior to the incorporation of the Company, the Group commenced operations of live streaming services through Beijing One Smile Technology and Development Co., Ltd. (“**Beijing One Smile**”) in the People’s Republic of China (the “**PRC**”).

On February 11, 2014, the Company was incorporated in the Cayman Islands with an authorized share capital of US dollar (“**USD**”) 50,000, consisting of 9,405,270,000 ordinary shares (100,000,000 ordinary shares before the share split in February 2018) of USD0.0000053 par value (USD0.0005 par value before the share split in February 2018) each, of which 940,527,000 shares had been issued (10,000,000 shares before share split).

On March 25, 2014, Fortune Ever Global Limited. (“**Fortune Ever**”) was established by the Company, as a wholly-owned subsidiary of the Company located in Hong Kong.

On July 2, 2014, Beijing Dajia Information Technology Co., Ltd. (“**Beijing Dajia**”) was established by Fortune Ever, as a wholly foreign-owned enterprise (the “**WFOE**”) of the Company located in the PRC.

On July 14, 2014, Beijing Dajia, Beijing One Smile and its shareholders entered into a series of contractual arrangements (the “**Contractual Arrangements**”), which enable Beijing Dajia and the Company to exercise power over Beijing One Smile, receive variable returns from its involvement in Beijing One Smile, have the ability to affect those returns through its power over Beijing One Smile. Therefore, Beijing Dajia and the Company control Beijing One Smile. Consequently, the Company regards Beijing One Smile as controlled structured entities. Pursuant to the Contractual Arrangements, the live streaming business is transferred to and held by the Company. The Company has not been involved in any other business before the transfer and do not meet the definition of a business. Thus, this is merely a recapitalization of the streaming business

with no change in management of such business and the ultimate owners of the live streaming business remain the same. Accordingly, the Group resulting from the recapitalization is regarded as a continuation of the live streaming business and, for the purpose of this report, the carrying amounts of the assets, liabilities and results of operations of Beijing One Smile are included in the consolidated financial information of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the structured entity. Uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the structured entity. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beijing Dajia, Beijing One Smile and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

Other Contractual Arrangements were also executed for other operating companies in the PRC established by the Group. All of these operating companies are treated as controlled structured entities of the Company and their financial statements have also been consolidated by the Company. See details in Note 12.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies applied in the preparation of the Historical Financial Information. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations issued by International Accounting Standards Board (“IASB”) applicable to companies reporting under IFRSs.

The Historical Financial Information has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

As of December 31, 2017, 2018 and 2019, the Group was in a net liability position of RMB22.2 billion, RMB35.7 billion and RMB55.7 billion, respectively. As of September 30, 2020, the Group was in a net current liability position of RMB112.6 billion. The Group assesses its liquidity by its ability to generate cash from operating activities and attract additional capital

and/or finance funding. Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from investors (e.g. convertible redeemable preferred shares) 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 existing and new investors.

In October 2020, all preferred shareholders agreed to modify the redemption commencement date of the convertible redeemable preferred shares to April 30, 2022. After the modification, the Group is no longer in a net current liability position.

Based on the above considerations, the Group's historical performance and management's operating and financing plans, the Group believes the cash and cash equivalents, time deposits, wealth management products and the operating and financing cash flows are sufficient to meet the cash requirements to fund planned operations and other obligations for at least the next twelve months after December 31, 2017, 2018 and 2019 and September 30, 2020. Therefore, the Historical Financial Information have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2.1.1 Change in accounting policy and disclosures

All effective standards, amendments to standards and interpretations, which are mandatorily effective for the financial year beginning on January 1, 2020, are consistently applied to the Group for the Track Record Period, except for IFRS 9 — Financial Instruments (“**IFRS 9**”). In preparation of the Historical Financial Information, the Group has adopted IFRS 15 — Revenue from Contracts with Customers (“**IFRS 15**”) and IFRS 16 — Leases (“**IFRS 16**”) consistently throughout the Track Record Period. IFRS 9 is mandatorily effective and applied by the Group for financial year beginning on January 1, 2018. Upon adopting IFRS 9 on January 1, 2018, there was no change on the classification of categories of financial assets for the Group since the Group has continued to classify its investments in listed and unlisted companies and investments in wealth management products as “investments measured at fair value through profit and loss”. In addition, the impact on the adoption of new IFRS 9 expected credit loss model on trade and other receivables was not material to the opening retained earnings at January 1, 2018.

The Group adopted a full retrospective application of IFRS 15, which have been applied on a consistent basis throughout the Track Record Period. Based on the Group's assessment, the Group's Directors concluded that the adoption of IFRS 15 did not have any significant impact on the Group's financial position and performance during the Track Record Period.

The Group leases internet data centers and office buildings. The Group applied the lessee accounting requirements of IFRS 16 retrospectively during the Track Record Period. Under IFRS 16, leases, which have previously been classified as “operating leases” under IAS 17, are recognised as right-of-use assets and corresponding lease liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the lease

liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liabilities of each period. The right-of-use assets are depreciated over the lease term on a straight-line basis.

(a) New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been issued but are not yet effective for the year beginning on January 1, 2020 and have not been early adopted by the Group during the Track Record Period. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

<u>Standards and amendments</u>	<u>Effective for annual years beginning on or after</u>
Amendments to IAS 1, Presentation of financial statements on classification of liabilities	January 1, 2023
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	January 1, 2022
Amendments to IFRS 10 and IAS 28 — Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 33).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.1 Subsidiaries controlled through Contractual Arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its website and other restricted businesses in the PRC through certain PRC operating entities, whose equity interests are held by certain management members of the Group (“**Nominee Shareholders**”). The Group signed Contractual Arrangements with the PRC operating entities. The Contractual Arrangements include exclusive technical consultation and service agreements, exclusive option agreements, equity pledge agreements and powers of attorney, which enable the Group to:

- govern the financial and operating policies of the PRC operating entities;
- exercise equity holder voting rights of the PRC operating entities;
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE’s discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entities’ payments due to the Group to secure performance of entities’ obligation under the Contractual Arrangements.

Accordingly, the Group has rights to control these entities. As a result, they are presented as entities controlled by the Group.

2.2.2 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and

- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from such remeasurement is recognised in profit or loss.

2.2.3 Company's separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. The Group's investments in associates in the form of redeemable instruments are designated as financial assets at fair value through profit or loss. All investments in associates in the form of ordinary shares with significant influence are accounted for using the equity method of accounting, after initially being recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. During the Track Record Period, all associates of the Group are accounted for as financial assets at fair value through profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of the Company and certain of its overseas subsidiaries is USD. The Company's primary subsidiaries and structured entities are incorporated in the PRC and for these subsidiaries and structured entities, the RMB is the functional currency. The Group's presentation currency is RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements on a net basis within “other gains/(losses), net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gains or losses. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in consolidated income statements as part of the “other gains/(losses), net”.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

- Servers, computers and equipment 3 years
- Office equipment 3-5 years
- Leasehold improvements the shorter of the term of the lease or the estimated useful lives of the assets

Property and equipment arising from business acquisition is depreciated over the remaining useful life.

The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

A carrying amount of property and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “other gains/(losses), net” in the consolidated income statements.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate purchase consideration transferred, the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses (if any).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the sale value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and domain names, licenses and copyrights, software

Separately acquired domain names, trademarks, internet audio/video program transmission licenses, operating licenses copyrights and software are initially recognised and measured at historical cost. The assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortization and impairment losses (if any).

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. For details, refer to Note 2.7(d).

(c) Other intangible assets

Other intangible assets mainly include customer relationships and non-compete agreements. They are initially recognised and measured at estimated fair value of intangible assets acquired through business combinations.

(d) Research and development

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets as of December 31, 2017, 2018 and 2019 and September 30, 2020.

(e) Amortisation methods and periods

Length of estimated useful life is determined to be the shorter of the period of contractual rights or estimated period during which such intangible assets can bring economic benefits to the Group.

The Group amortizes intangible assets with a finite useful life using the straight-line method over the following periods:

Licenses and copyrights	2-10 years	Shorter of contractual license and copyrights period or the estimated period during which such intangible assets can bring economic benefits
Trademarks and domain name	2-10 years	The period of effective registration during which such trademark and domain name can bring economic benefits
Software	2-7 years	Shorter of the period of contractual rights or estimated period during which such software can bring economic benefits
Others	3-4 years	Shorter of the period of contractual rights or estimated period during which such assets can bring economic benefits

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets including property and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable

amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investments and other financial assets

Before adoption of IFRS 9

(a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired, management's intentions and whether the assets are quoted in an active market. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The Group classified investments in listed and unlisted companies, and investments in wealth management products (with no guaranteed returns) in this category (refer to Note 3.3 for details).

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

(iii) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long term.

Financial assets that are not classified into any of the other categories are also included in the available-for-sale category.

(b) Recognition and measurement

Regular purchases and sales of investments are recognised on trade date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statements. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest on loans and receivables is calculated using the effective interest method and is recognised in the consolidated income statements as part of interest income.

After adoption of IFRS 9

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value (either through other comprehensive income/(loss) or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (“OCI”). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

See Note 19 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows (“**pass through**” requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are immediately expensed.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statements.

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and

recognised in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net and impairment expenses are presented as separate line item in the income statements.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses), net in the consolidated income statements as applicable.

(d) Impairment

The Group has two types of financial assets that are subject to IFRS 9's new expected credit losses (the "ECL") model (Note 3.1 (b)):

- trade receivables; and
- Other receivables (including loan receivables).

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortized cost using the effective interest method, less loss allowance. See Note 21 for further information about the Group's accounting for trade receivables, Note 22 for further information about other receivables and Note 2.9(d) for a description of the Group's impairment policies.

2.12 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, cash held at third party payment platform that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The re-designation of ordinary shares held by certain employees to Preferred Shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of Series F-2 Preferred Shares. The deemed repurchase of ordinary shares is measured at fair value of ordinary shares and debited to share capital and other reserves accordingly, and the deemed issuance of Series F-2 Preferred Shares is measured at fair value of the Preferred Shares issued. The difference between fair value of ordinary shares and Preferred Shares is recognized as share-based compensation expenses according to IFRS 2 since the holders of ordinary shares deemed to be repurchased are employees of the Group.

Convertible redeemable preferred shares are classified as financial liabilities, see Note 2.15 and Note 3.3.

2.14 Accounts and other payables

Accounts and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Convertible redeemable preferred shares (“Preferred Shares”)

Preferred Shares issued by the Company are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company. For details, refer to Note 32 (b).

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss. Fair value changes relating to market risk are recognised in profit or loss, the component of fair value changes relating to the Company's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realized.

The Preferred Shares were classified as non-current liabilities unless the Preferred Shares' holders can demand the Company to redeem the Preferred Shares within 12 months after the end of the reporting period.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings costs are expensed in the period in which they are incurred.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and structured entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax assets is realized or the deferred tax liabilities is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax are recognised in profit or loss, except to the extent that they relate to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity.

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations, which are included in other payables and accruals in the consolidated balance sheets.

(b) Pension obligations

The Group has a defined contribution plan in which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.19 Share-based compensation

The Group operates a Share Incentive Plan (the "**Pre-IPO ESOP Plan**"), under which it receives services from employee in exchange for equity instruments of the Company.

The fair value of options granted under the Pre-IPO ESOP Plan is recognised as employee benefits expenses over the requisite service period, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted on grant date by using binomial option-pricing models:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, using graded vesting method. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.20 Revenue recognition

The Group derives revenue from sales of virtual items on its live streaming platform, online marketing services and other services. The Group recognises revenue when or as the control of the promised goods or services is transferred to a customer, net of value-added taxes (“VAT”), rebates and certain sales incentives. If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised 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 transaction price 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.

2.20.1 The accounting policy for the Group's principal revenue sources

(a) Live streaming

The Group operates and maintains mobile platforms whereby users can enjoy live stream performances provided by the live streamers (the “streamers”) and interact with the streamers on a real-time basis for free. The Group operates a virtual item system, under which viewers can purchase virtual items and present them as gifts to streamers to show their support and appreciation. The Group generates revenues from the sales of virtual items on the platform, and viewers are the Group's customers. The virtual items are produced and delivered by the Group. Sales of virtual items are recognized as revenues when the virtual items are gifted by viewers to streamers as the Group has no further obligations related to virtual items once they are gifted to streamers. The proceeds received from the sales of virtual items before they are gifted by viewers to streamers are recorded as advances from customers.

In order to attract streamers to the platforms, the Group shares revenues with the streamers in accordance with the agreements between the Group and streamers.

The Group has evaluated and concluded that it is the principal for the sales of the virtual items on the platforms. The Group produces and controls virtual items before they are transferred to customers. The prices of virtual items are set by the Group. Therefore, revenue from the sales of virtual items is recorded on a gross basis and the revenue sharing paid to streamers based on the predetermined percentage in the agreements is recognised as “cost of revenues” in the consolidated income statements.

(b) Online marketing services

The Group offers diversified online marketing solutions including advertising services, Kuaishou fans headline services and other marketing services to customers. The Group provides rebates to customers including advertising agencies based on contracted rebate rates and estimated revenue volume, which are accounted for as variable consideration and are estimated by applying the most likely amount method. Revenue is recognised based on the price charged to customers, net of rebates provided to customers.

To fulfill contracts with certain customers, the Group enters into cooperation agreements with third party platforms and places the advertisements of the Group's customers displayed on third party platforms. For below services mentioned, the Group is the principal for fulfilling these marketing service contracts as it has obtained controls over third party platform services through cooperation contracts and, in some cases, integrated with other services before they are transferred to the Group's customers. The Group is also primarily responsible for fulfilling these marketing services as it is the only party that the Group's customers entered agreements with. As such, the Group recognises revenues from contracts with customers on a gross basis and records charges from third party platforms as cost of revenues.

Advertising services

(i) Performance-based advertising services

The Group provides performance-based advertising services which allow advertising customers to place links on the Group's mobile platforms and third parties' internet properties. Performance-based advertising services are primarily presented and delivered in the way of short video with clickable thumbnails together with other recommended short videos or displayed between other short videos at varying frequency. The Group charges fees to advertising customers based on active clicks. The Group has determined that each click represents one performance obligation. In this model, revenue is recognized when the user clicks on the customer-sponsored links.

(ii) Display-based advertising services

Displayed advertisements appear in the form of opening-page splash advertisements traditional banner ads, logos and sponsored filters, etc. on various interfaces of the platform. The revenue is recognised ratably over the period that the advertising is displayed. Generally, the terms of these display-based advertisements are short term.

Kuaishou fans headline services

The Group also provides Kuaishou fans headline services where the customers pay for exposure of their short video or live show to a targeted number of viewers for a specified period of time on Kuaishou's App. The Group has determined that each exposure to a target viewer for a specified period of time represents one performance obligation. Revenue from each exposure performance obligation is recognised over the contracted exposure time which is generally very short.

(c) Other services

Other services revenues primarily include revenues from E-commerce business, online games and other value-added services. For the E-commerce business, the Group allows merchants to promote and sell goods on its platform and charges commissions on the sales of goods completed through its platform based on agreed commission rates. The Group does not take controls of goods sold through its platform. Commission revenues related to E-commerce business are recognised at a point in time when sale transaction of goods is completed. For online games and other value-added services, revenues are recognized when the Group satisfied the performance obligations under the service contracts.

2.20.2 Incentives and coupons

In order to promote its platform and attract more users, the Group at its own discretion provides various types of incentives offered to users in the form of cash incentives, red packets, coupons, etc.. Evaluations of the varying features of different incentive programs are made to determine whether incentives offered represent consideration payable to customers. Such evaluations include the consideration of whether the users would be considered as customers of the Group.

The incentives are awarded to users upon their completion of certain tasks. The incentives are recorded as reduction of revenue if there is no distinct service identified or such distinct service is related to past, current or future revenues, such as reward to customers, and coupons to be used in future transactions, etc.. Incentives for distinct services received from the users and not related to past, current or future revenue transactions, such as inviting friends to download or log into Kuaishou's platforms, publishing or watching short videos which have advertising contents, etc., are recorded as selling and marketing expenses.

2.20.3 Contract balances

When either party to a customer contract has performed, the Group presents the contract in the balance sheets as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. Contract balances include trade receivables and advances from customers.

A 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 the consideration is due.

Payment terms and conditions vary by contract and service type. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

2.20.4 Practical expedients and exemptions

The Group has elected to use the practical expedient to not disclose the remaining performance obligations for contracts that have durations of one year or less, as substantially all of the Group's contracts have duration of one year or less.

The revenue standard requires the Group to recognise an asset for the incremental costs of obtaining a contract with a customer if the benefit of those costs is expected to be longer than one year. The Group has determined that sales commission for sales personnel meet the definition of incremental costs of obtaining a contract. However, the Group applies a practical expedient to expense the costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.

2.20.5 Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group has applied the practical expedient of not to adjust any of the transaction prices for the time value of money.

2.21 Loss per share

Basic loss per share is calculated by dividing:

- (a) the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares; and
- (b) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares.

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- (a) the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- (b) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.22 Leases

The Group, as a lessee, leases internet data centers and office buildings. Lease contracts are typically made for fixed periods of several months to five years. Lease is recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. The Group uses the incremental borrowing rate, for the implicit rate cannot be readily determined, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise of lease of certain office spaces.

2.23 Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Finance income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 8 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk primarily arises from recognised assets and liabilities denominated in a currency other than the functional currency of the Group's subsidiaries. The Group manages its foreign exchange risk by minimizing non-functional currency transactions.

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to significant foreign exchange risk as there are no significant assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

(ii) Interest rate risk

The Group's interest rate risk primarily arises from borrowings, loan receivables, time deposits and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

If the interest rate of cash and cash equivalents, short-term and long-term time deposits had been 50 basis points higher/lower, the loss before income tax for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 would have been lower/higher RMB13.4 million, RMB26.9 million, RMB26.9 million, RMB15.9 million and RMB94.7 million, respectively. The impact of interest rate change on borrowings and loan receivables is not material.

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

(iii) Price risk

The Group is exposed to price risk in respect of the financial assets measured at fair value through profit or loss, including investments in listed and unlisted entities, and wealth management products. The Group is generally not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The sensitivity analysis is performed by management, see Note 3.3 for details.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents, time deposits, restricted cash, trade receivables and other receivables. The carrying amount of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

Trade and other receivables are managed on a group basis. The finance team is responsible for managing and analysing the credit risk for each new customer/debtor before standard credit payment terms are offered. The Group assesses the credit quality of its customers and other debtors by taking into account various factors including their financial position, past operational and financial performance and other factors.

Cash and cash equivalents, time deposits and restricted cash are mainly placed with reputable financial institutions in the PRC and international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

(ii) Impairment of financial assets

Before adoption of IFRS 9

Before adoption of IFRS 9, impairment of financial assets were assessed on a group basis. The credit period granted to the customers was usually not more than 90 days and the credit quality of these customers were assessed, taking into account their financial position, past performance and other factors. Provisions were made for past due balances when management considers the loss from the customers is likely. Please refer to Notes 21 and 22 for more details.

After adoption of IFRS 9Trade receivables

Starting from January 1, 2018, the Group applies the IFRS 9 simplified approach to measuring expected credit losses under which the lifetime expected credit losses for all trade receivables are estimated. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and credit rating.

The expected loss rates are based on the historical payment profiles, historical loss rates and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Products (“GDP”) of the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowances of trade receivables as at January 1, 2018, December 31, 2018, 2019 and September 30, 2019 and 2020 were determined as follows:

	<u>As of</u> <u>January 1,</u>	<u>As of December 31,</u>		<u>As of September 30,</u>	
	<u>2018</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				(Unaudited)	
		in thousands, except for percentages			
Expected loss rate	—	0.06%	0.43%	0.25%	1.24%
Gross carrying amount	136,641	129,120	1,112,214	494,361	1,835,477
Loss allowance					
provision	—	75	4,774	1,257	22,829

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty.

Impairment losses on trade receivables are presented as “administrative expenses” within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

On that basis, the loss allowances of other receivables as at January 1, 2018, December 31, 2018, 2019 and September 30, 2019 and 2020 were determined as follows:

	<u>As of January 1,</u>	<u>As of December 31,</u>		<u>As of September 30,</u>	
	<u>2018</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				(Unaudited)	
		in thousands, except for percentages			
Expected loss rate	—	0.64%	9.38%	4.00%	7.37%
Gross carrying amount	48,678	150,197	198,008	348,176	248,669
Loss allowance					
provision	—	965	18,564	13,943	18,326

Others

While cash and cash equivalents, restricted cash and time deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents, short-term time deposits and investments in wealth management products or to retain adequate financing arrangements to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For the modification of Preferred Shares' redemption commencement date, please refer to Note 2.1.

APPENDIX I
ACCOUNTANT'S REPORT

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at December 31, 2017					
Accounts payables	1,802,517	—	—	—	1,802,517
Other payables and accruals (excluding employee benefit payables, and other taxes payable).	10,439	—	—	—	10,439
Lease liabilities	212,711	314,013	419,288	—	946,012
Convertible redeemable preferred shares	—	—	26,652,555	—	26,652,555
Total	2,025,667	314,013	27,071,843	—	29,411,523
As at December 31, 2018					
Accounts payables	2,025,563	—	—	—	2,025,563
Other payables and accruals (excluding employee benefit payables, and other taxes payable).	47,527	—	—	—	47,527
Lease liabilities	553,756	589,619	307,858	—	1,451,233
Convertible redeemable preferred shares	—	—	47,211,431	—	47,211,431
Total	2,626,846	589,619	47,519,289	—	50,735,754
As at December 31, 2019					
Accounts payables	9,055,133	—	—	—	9,055,133
Other payables and accruals (excluding employee benefit payables, and other taxes payable).	1,401,217	—	—	—	1,401,217
Lease liabilities	1,525,740	1,348,793	2,021,534	16,721	4,912,788
Convertible redeemable preferred shares	—	59,330,942	10,113,221	—	69,444,163
Total	11,982,090	60,679,735	12,134,755	16,721	84,813,301

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at September 30, 2020					
Accounts payables	10,913,350	—	—	—	10,913,350
Other payables and accruals (excluding employee benefit payables, and other taxes payable).	2,355,280	—	—	—	2,355,280
Lease liabilities	2,106,778	1,976,113	2,184,586	32,075	6,299,552
Borrowings (<i>Note a</i>). . .	300,000	—	—	—	300,000
Convertible redeemable preferred shares	122,847,844	14,908,265	37,481,722	—	175,237,831
Total	138,523,252	16,884,378	39,666,308	32,075	195,106,013

Note a: As of September 30, 2020, borrowings represent unsecured bank borrowings repayable within three months and the effective annual interest rates range from 2.25% to 2.55%. Borrowing costs are expensed in the periods when they are incurred.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital, other reserves and Preferred Shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through				
profit or loss				
— Unlisted equity securities	—	—	49,200	49,200
— Wealth management products . . .	—	—	2,472,037	2,472,037
	—	—	2,521,237	2,521,237
Liabilities				
Convertible redeemable preferred				
shares	—	—	26,652,555	26,652,555

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
— Unlisted equity securities	—	—	677,919	677,919
— Wealth management products . . .	—	—	4,273,517	4,273,517
	—	—	4,951,436	4,951,436
Liabilities				
Convertible redeemable preferred shares				
	—	—	47,211,431	47,211,431

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
— Listed equity securities	77,202	—	—	77,202
— Unlisted equity securities	—	—	2,258,272	2,258,272
— Wealth management products . . .	—	—	8,825,068	8,825,068
	77,202	—	11,083,340	11,160,542
Liabilities				
Convertible redeemable preferred shares				
	—	—	69,444,163	69,444,163

The following table presents the Group's financial assets and liabilities that are measured at fair value at September 30, 2020:

	Level 1	Level 2	Level 3	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
— Listed equity securities	95,737	—	—	95,737
— Unlisted equity securities	—	—	3,998,760	3,998,760
— Wealth management products . . .	—	—	8,450,308	8,450,308
	<u>95,737</u>	<u>—</u>	<u>12,449,068</u>	<u>12,544,805</u>
Liabilities				
Convertible redeemable preferred shares				
	<u>—</u>	<u>—</u>	<u>175,237,831</u>	<u>175,237,831</u>

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

(c) *Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Level 3 instruments of the Group's assets and liabilities include long-term investments in unlisted entities measured at fair value through profit or loss, short-term investments in wealth management products measured at fair value through profit or loss and convertible redeemable preferred shares.

The changes in level 3 instruments of Preferred Shares for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 are presented in the Note 32.

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

	Financial assets at fair value through profit or loss
	<i>RMB'000</i>
At January 1, 2017	2,000
Additions	5,897,411
Disposal	(3,376,458)
Change in fair value through profit or loss*	49,745
Currency translation differences	(51,461)
At December 31, 2017	<u>2,521,237</u>
*Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the year.	12,612
At January 1, 2018	2,521,237
Additions	18,057,645
Disposal	(15,789,767)
Change in fair value through profit or loss*	137,457
Deemed disposal due to business combination.	(46,432)
Currency translation differences	71,296
At December 31, 2018	<u>4,951,436</u>
*Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the year.	77,648
At January 1, 2019	4,951,436
Additions	57,223,449
Disposal	(51,112,055)
Change in fair value through profit or loss*	(21,479)
Currency translation differences	41,989
At December 31, 2019	<u>11,083,340</u>
*Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the year.	(272,063)
(Unaudited)	
At January 1, 2019	4,951,436
Additions	39,507,618
Disposal	(32,086,139)
Change in fair value through profit or loss*	220,576
Currency translation differences	70,806
At September 30, 2019	<u>12,664,297</u>
*Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.	96,919
At January 1, 2020	11,083,340
Additions	46,019,145
Disposal	(44,868,047)
Change in fair value through profit or loss*	400,127
Currency translation differences	(185,497)
At September 30, 2020	<u>12,449,068</u>
*Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.	158,613

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included Preferred Shares (Note 32), long-term investments measured at fair value through profit or loss in unlisted companies (Note 20) and investment in wealth management products (Note 20). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc.. Major assumptions used in the valuation for Preferred Shares are presented in Note 32.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair Values					Significant unobservable inputs	Range of inputs					Relationship of unobservable inputs to fair values
	As of December 31,		As of September 30,				As of December 31,		As of September 30,			
	2017	2018	2019	2019	2020		2017	2018	2019	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Unlisted equity securities . .	49,200	677,919	2,258,272	2,597,143	3,998,760	Expected volatility	N/A*	35%-71%	34%-62%	34%-66%	46%-72%	The higher the expected volatility, the lower the fair value
						Discount for lack of marketability ("DLOM")	N/A*	8%-14%	7%-14%	7%-15%	9%-30%	The higher the DLOM, the lower the fair value
						Risk-free rate	N/A*	3%	2%-3%	2%-3%	0%-3%	The higher the risk-free rate, the lower the fair value
Wealth management products . .	2,472,037	4,273,517	8,825,068	10,067,154	8,450,308	Expected rate of return	2%-5%	3%-4%	3%-4%	3%-4%	2%-4%	The higher the expected rate of return, the higher the fair value

Note*: The investments in unlisted equity securities were not subject to valuation as they were purchased near the end of the year and the directors of the Company were of the view that the fair value was not materially different with the purchase consideration.

Short-term investments in wealth management products were mainly the investment products purchased from reputable financial institutions in the PRC and international financial institutions outside of the PRC with floating rates. The returns on all of these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are determined based on the expected cash flows and discounted by using the expected return (based on management judgment) and are within level 3 of the fair value hierarchy. From the perspective of cash management and risk control, the Group diversifies its investment portfolios and mainly purchases low-risk products from reputable financial institutions and prefers those products with high-liquidity.

The following table presents the lower/(higher) of the loss before income tax for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 if the fair values of financial assets at fair value through profit or loss held by the Group had been 10% higher/lower.

% changes of fair values of financial assets at fair value through profit or loss	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
10% higher.	252,124	495,144	1,116,054	1,266,430	1,254,481
10% lower	(252,124)	(495,144)	(1,116,054)	(1,266,430)	(1,254,481)

The following table presents the (higher)/lower of the loss before income tax for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 if the Company's equity value had increased/decreased by 10% which leads to the fair value changes of Preferred Shares.

% changes of the Company's equity value	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Increased by 10%	(2,207,630)	(1,791,243)	(2,138,497)	(447,993)	(11,088,386)
Decreased by 10%	2,201,931	1,793,600	2,163,626	447,033	11,058,599

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

The carrying amounts of the Group's other financial assets measured at amortized costs including cash and cash equivalents, restricted cash, short-term time deposits, trade receivables, other receivables and other current assets and the Group's financial liabilities, including accounts payables, other payables and accruals and borrowings, approximate their fair values due to their short maturities.

4 Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which will seldom equal the actual results. Management needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

4.1 Recognition of share-based compensation expenses

The Group set up the Pre-IPO ESOP Plan and granted options to employees and other qualifying participants. The fair value of the options are determined by the binomial option pricing model at the grant date, and is expected to be expensed over the respective vesting periods. Significant estimates and assumptions, including forfeiture rate, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and third-party valuer (Note 27).

4.2 Estimation of the fair value of financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions including credit risk, volatility and liquidity risks associated with the instruments at the end of each reporting period, which are subject to uncertainty and might materially differ from the actual results. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets (Note 3.3).

The convertible redeemable preferred shares issued by the Company are not traded in an active market, and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the discount rate, risk-free interest rate, lack of marketability discount and volatility, as well as the probability weight among the timing of the liquidation, redemption or IPO event scenarios based on the Group's best estimates, which is disclosed in Note 32.

4.3 Credit loss allowances for trade receivables, other receivables and other assets

Upon the adoption of IFRS 9, the expected credit loss of trade receivables, other receivables and other assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to calculate the loss allowances, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

4.4 Recoverability of non-financial assets

The Group tests whether goodwill has suffered any impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets including property and equipment, right-of-use assets and intangible assets other than the goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management with an estimation of terminal value. Details of key assumptions and estimates used are disclosed in Note 17.

4.5 Business combinations

Business combinations are accounted for under acquisition method. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected lives of assets, the forecasted life cycles and forecasted

cash flows over that period. Although the Group believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

4.6 Current and deferred income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences or tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. As of September 30, 2020, the Group did not recognise deferred tax assets of RMB716.4 million in respect of cumulative tax losses, that can be carried forward against future taxable income (Note 31). The outcome of their actual utilisation may be different from management's estimation.

4.7 Revenue recognition

Determining whether the Group is acting as a principal or as an agent when third-party is involved in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers factors to determine whether the Group controls the specified goods or service before it is transferred to the customer include, but are not limited to the following: (a) is primarily responsible for fulfilling the contract, (b) is subject to inventory risk, and (c) has discretion in establishing prices. Refer to Note 2.20 for details.

4.8 Useful lives and depreciation of property and equipment

The Group's management determines the estimated useful lives and related depreciation for the Group's property and equipment based on the asset's expected utility to the Group, the asset management policy of the Group may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the Group with similar assets.

4.9 Useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives and related amortization for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

5 Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM which are the chief executive officer of the Group. As a result of this evaluation, the CODM considers that the Group's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As of December 31, 2017, 2018 and 2019 and September 30, 2020, substantially all of the non-current assets of the Group were located in the PRC.

6 Revenues

The breakdown of revenues during the Track Record Period is as follows:

	Year ended December 31,			Nine months ended	
	2017	2018	2019	September 30, 2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Live streaming	7,948,997	18,615,130	31,442,341	22,922,116	25,309,312
Online marketing services	390,581	1,665,095	7,418,502	4,267,512	13,343,194
Other services	—	20,420	259,505	78,340	2,024,935
	<u>8,339,578</u>	<u>20,300,645</u>	<u>39,120,348</u>	<u>27,267,968</u>	<u>40,677,441</u>

Timing of revenue recognition is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Revenue recognized at a point in time	8,108,638	19,711,155	37,436,029	26,174,728	37,388,968
Revenue recognized over time	<u>230,940</u>	<u>589,490</u>	<u>1,684,319</u>	<u>1,093,240</u>	<u>3,288,473</u>
	<u>8,339,578</u>	<u>20,300,645</u>	<u>39,120,348</u>	<u>27,267,968</u>	<u>40,677,441</u>

There is no concentration risk as no revenue from a single customer was more than 10% of the Group's total revenues for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020.

7 Other income

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Government grants and value-added tax subsidies	<u>19,290</u>	<u>107,575</u>	<u>292,631</u>	<u>183,139</u>	<u>396,151</u>

8 Other gains/(losses), net

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Net gains/(losses) on disposal of property, equipment and intangible assets	—	49	(60)	(60)	(568)
Net fair value gains/(losses) on financial assets at fair value through profit or loss					
— Investments in listed and unlisted entities .	—	36,835	(289,930)	24,941	160,228
— Wealth management products	49,745	96,622	275,889	195,635	305,484
Net foreign exchange gains/(losses)	(6,061)	1,161	10	(378)	45,551
Donations*	(2,640)	(2,769)	(5,435)	(1,206)	(131,684)
Others	997	(2,621)	(13,317)	(7,752)	4,130
	<u>42,041</u>	<u>129,277</u>	<u>(32,843)</u>	<u>211,180</u>	<u>383,141</u>

Note *: Out of the donations for the period of nine months ended September 30, 2020, RMB100.0 million was the charitable donations in responses to the COVID-19 outbreak.

9 Expenses by nature

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Revenue sharing to streamers and related taxes	4,395,623	10,396,086	18,149,248	13,290,820	14,302,621
Employee benefit expenses	740,539	2,399,656	4,364,197	2,982,873	6,178,926
Promotion and advertising expenses	1,264,725	4,077,084	9,422,745	5,293,916	19,103,231
Outsourcing and other labor costs	40,592	173,620	274,733	159,888	340,272
Depreciation of property and equipment	84,186	828,980	1,405,313	906,771	2,174,192
Depreciation of right-of-use assets	24,085	325,831	692,228	418,679	1,157,218
Amortization of intangible assets	7,229	24,774	62,842	41,997	90,569
Bandwidth expenses and server custody costs . . .	807,902	1,830,875	2,650,623	1,824,369	3,920,498
Payment processing cost .	269,338	488,770	642,155	480,527	687,335
Listing expenses (excluding those included in auditor's remuneration)	—	—	—	—	15,510
Auditor's remuneration — Audit services	2,146	1,938	4,371	854	7,111
— Non-audit services . .	79	3,411	289	165	2,484
Other professional fees . .	27,857	51,176	58,700	41,968	76,379
Tax surcharges	42,343	141,916	326,337	197,244	287,866
Credit loss allowances on financial assets	—	1,040	22,298	14,160	17,817
Others	86,314	313,053	615,373	344,752	2,037,132
	<u>7,792,958</u>	<u>21,058,210</u>	<u>38,691,452</u>	<u>25,998,983</u>	<u>50,399,161</u>

10 Employee benefit expenses

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Wages, salaries and bonuses	369,412	1,374,735	2,951,829	1,958,282	4,426,692
Share-based compensation expenses	296,535	701,601	742,303	564,039	977,087
Other social security costs, housing benefits and other employee benefits	74,592	323,320	670,065	460,552	775,147
	<u>740,539</u>	<u>2,399,656</u>	<u>4,364,197</u>	<u>2,982,873</u>	<u>6,178,926</u>

(a) Five highest paid individuals

None of the five individuals whose emoluments were the highest in the Group for each of the Track Record Period were directors of the Group. The emoluments payable to these individuals for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Wages, salaries and bonuses	11,573	19,383	33,142	24,814	24,498
Share-based compensation expenses	141,462	162,089	70,040	56,477	100,570
Other social security costs, housing benefits and other employee benefits	453	609	632	477	453
	<u>153,488</u>	<u>182,081</u>	<u>103,814</u>	<u>81,768</u>	<u>125,521</u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
				(Unaudited)	
HK\$10,000,001 to HK\$20,000,000	2	—	—	4	—
HK\$20,000,001 to HK\$30,000,000	—	2	5	1	4
HK\$30,000,001 to HK\$40,000,000	1	2	—	—	1
HK\$40,000,001 to HK\$50,000,000	1	—	—	—	—
HK\$60,000,001 to HK\$70,000,000	1	—	—	—	—
HK\$100,000,001 to HK\$150,000,000	—	1	—	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

(b) *Benefits and interests of directors*

The remuneration of every director and the chief executive is set out below:

For the year ended December 31, 2017:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Chairman</i>				
Su Hua	2,231	6,075	111	8,417
<i>Executive director</i>				
Cheng Yixiao	1,914	4,860	114	6,888
Total	<u>4,145</u>	<u>10,935</u>	<u>225</u>	<u>15,305</u>

For the year ended December 31, 2018:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Chairman</i>				
Su Hua	2,796	1,622	125	4,543
<i>Executive director</i>				
Cheng Yixiao	3,031	1,298	125	4,454
Total	5,827	2,920	250	8,997

For the year ended December 31, 2019:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Chairman</i>				
Su Hua	3,859	—	126	3,985
<i>Executive director</i>				
Cheng Yixiao	3,510	—	126	3,636
Total	7,369	—	252	7,621

For the nine months ended September 30, 2019 (Unaudited):

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Chairman</i>				
Su Hua	2,890	—	95	2,985
<i>Executive director</i>				
Cheng Yixiao	2,629	—	95	2,724
Total	5,519	—	190	5,709

For the nine months ended September 30, 2020:

Name	Wages, salaries and bonuses	Share-based compensation expenses	Other social security costs, housing benefits and other employee benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Chairman</i>				
Su Hua	2,844	—	81	2,925
<i>Executive director</i>				
Cheng Yixiao	2,660	—	81	2,741
Total	5,504	—	162	5,666

(i) *Benefits and interests of directors*

Except for directors disclosed above, there is no other benefits and interests offered to the other directors.

(ii) *Directors' termination benefits*

No director's termination benefit subsisted at the end of the period or at any time during the Track Record Period.

(iii) *Consideration provided to third parties for making available directors' services*

No consideration provided to third parties for making available director's services subsisted at the end of the period or at any time during the Track Record Period.

(iv) *Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors*

No loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors was subsisted at the end of the period or at any time during the Track Record Period.

(v) *Directors' material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the period or at any time during the Track Record Period.

11 Finance (expense)/income, net

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Finance income:					
Interest income from bank deposits	16,829	106,135	92,441	68,869	155,507
Finance expense:					
Interest expense from lease liabilities	(6,581)	(53,145)	(103,302)	(62,585)	(161,899)
Others	(36,324)	(826)	(176)	—	(20,179)
	(42,905)	(53,971)	(103,478)	(62,585)	(182,078)
Finance (expense)/income, net .	(26,076)	52,164	(11,037)	6,284	(26,571)

12 Subsidiaries

The Company's major subsidiaries (including controlled and structured entities) during the Track Record Period are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Effective interest held			Principal activities
				As of			
				2017	2018	2019	
Subsidiaries							
Directly held:							
Fortune Ever Global Limited	Hong Kong, limited liability company	March 25, 2014	HKD10,000	100%	100%	100%	Investment holding and investment
Cosmic Blue Investments Limited	British Virgin Islands, limited liability company	March 16, 2017	—	100%	100%	100%	Investment holding and investment
Indirectly held:							
Joyo Technology PTE. LTD.	Singapore, limited liability company	August 3, 2016	USD1	100%	100%	100%	Development of software, provision of programming and advertising services
Beijing Dajia Internet Information Technology Co., Ltd.	Beijing, China, limited liability company	July 2, 2014	RMB8,941,454,241	100%	100%	100%	Development of software, hardware and network technology
Structured entities (Note a)							
Beijing Kuashou Technology Co., Ltd.	Beijing, China, limited liability company	March 20, 2015	RMB10,000,000	100%	100%	100%	Provision of live-streaming and online marketing services
Yoosee Xingji (Beijing) Technology Co., Ltd.	Beijing, China, limited liability company	November 3, 2006	RMB25,600,000	100%	100%	100%	Provision of technology development, promotion and other services
Huai'an Kangxiangfu Culture Communication Co., Ltd.	Jiangsu, China, limited liability company	January 9, 2017	—	100%	100%	100%	Provision of internet information services
Beijing Chenzhong Technology Co., Ltd.	Beijing, China, limited liability company	July 6, 2017	RMB2,015,000	100%	100%	100%	Provision of online marketing and other services
Guizhou Fankuai Culture Communication Co., Ltd.	Guizhou, China, limited liability company	March 5, 2019	—	N/A	100%	100%	Provision of multimedia information technology services
Beijing Kuashou Ads Co., Ltd.	Beijing, China, limited liability company	September 23, 2016	RMB60,000	100%	100%	100%	Provision of online marketing and other services
Beijing Yunche Technology Co., Ltd.	Beijing, China, limited liability company	September 19, 2018	—	N/A	100%	100%	Provision of online marketing and other services
Chengdu Kuigou Technology Co., Ltd.	Sichuan, China, limited liability company	October 31, 2019	—	N/A	100%	100%	Provision of online marketing and other services
Huai'an Xingyi Culture Communication Co., Ltd.	Jiangsu, China, limited liability company	August 1, 2017	RMB2,000	100%	100%	100%	Provision of online marketing and other services

Note a:

As described in Note 2.2, the Company does not have direct or indirect legal ownership in equity of these structured entities or their subsidiaries. Nevertheless, under certain Contractual Arrangements entered into with these structured entities and their registered owners, the Company and its other legally owned subsidiaries have rights to exercise power over these structured entities, receive variable returns from its involvement in these structured entities, and have the ability to affect those returns through its power over these structured entities. As a result, they are presented as structured entities of the Company.

13 Income tax (expenses)/benefits**(a) Cayman Islands**

The Company is incorporated as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

(b) British Virgin Islands (“BVI”)

The Group's entities established under the International Business Companies Acts of BVI are exempted from BVI income tax.

(c) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

(d) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 based on the existing legislation, interpretation and practices in respect thereof.

Beijing Dajia became accredited as High and New Technology Enterprises (“**HNTES**”) enabling it to enjoy a preferential tax rate of 15% commencing from 2017. In addition, Beijing Dajia was granted as “Software Enterprise”, which entitled it to an income tax exemption for two years beginning with its first profitable year and a 50% reduction to a rate of 12.5% for the subsequent three years. The tax exemption under “Software Enterprise” for Beijing Dajia was obtained in May 2018 with retroactive application since 2017. Accordingly, Beijing Dajia preliminarily used the tax rate of 15% on its estimated assessable profits for the year ended December 31, 2017, and then reversed that amount in 2018. In 2020, Beijing Dajia also obtained the qualification of “Key National Software Enterprise” (“**KNSE**”) which entitled it to a further reduced preferential income tax rate of 10%, starting from 2019 contingent upon annual assessment by relevant authorities. Due to the uncertainty of obtaining the qualification, Beijing Dajia accrued the income tax expenses by applying the preferential tax rate of 12.5% in 2019 and a reversal was made in the second quarter of 2020 for the change in enacted tax rate as the uncertainty was eliminated then.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expense so incurred as tax deductible expense when determining their assessable profit for that year (“**Super Deduction**”). The State Taxation Administration of the People’s Republic of China announced in September 2018 that enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year.

(e) Withholding tax in mainland China (“WHT”)

According to the New Corporate Income Tax Law (“**New EIT Law**”), beginning January 1, 2008, distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings was accrued as of the end of each reporting period.

The income tax (expenses)/benefits of the Group during the Track Record Period are analysed as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Current income tax	(112,260)	(184,568)	(1,088,560)	(774,621)	(547,954)
Deferred income tax	7,811	156,347	702,493	377,678	1,295,547
Income tax (expenses)/benefits . .	<u>(104,449)</u>	<u>(28,221)</u>	<u>(386,067)</u>	<u>(396,943)</u>	<u>747,593</u>

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax	(19,940,501)	(12,401,064)	(19,265,467)	(1,220,502)	(98,119,055)
Tax calculated at statutory income tax rate of 25% in mainland China	4,985,125	3,100,266	4,816,367	305,126	24,529,764
Tax effects of:					
— Effect of different tax rates in other jurisdictions	(5,129,310)	(2,975,079)	(5,023,641)	(705,843)	(22,341,209)
— Effect of preferential income tax rates of certain subsidiary	45,084	17,489	113,910	175,925	(973,597)
— Tax losses and temporary deductible timing differences for which no deferred tax assets was recognised	(16,826)	(85,899)	(181,838)	(83,098)	(495,044)
— Expenses not deductible for income tax purposes.	(84,475)	(167,367)	(198,996)	(149,702)	(204,239)
— Utilization of previously unrecognised deductible tax losses and temporary differences	90,118	11	336	—	35,354
— Super Deduction for research and development expenses . .	5,835	11,848	85,491	59,970	62,858
— Income not subject to tax. . . .	—	—	2,304	679	27,573
— Reversal of income tax expenses of prior year (Note a)	—	70,510	—	—	106,133
	<u>(104,449)</u>	<u>(28,221)</u>	<u>(386,067)</u>	<u>(396,943)</u>	<u>747,593</u>

Note a: Due to the changes in the applicable tax rate for Beijing Dajia as mentioned in Note 13(d), a reversal was made in 2018 for the current income tax expense of RMB71.1 million and deferred income tax credit of RMB0.6 million recognised in 2017, and a reversal was made in the second quarter of 2020 for the current income tax expense of RMB106.1 million recognised in 2019 (refer to Note 13(d) for details).

14 Loss per share

Following the Share Split as detailed in Note 24, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 has been retrospectively adjusted.

(a) Basic loss per share

Basic loss per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 are calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year/period.

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net loss attributable to equity holders of the Company.	(20,044,950)	(12,429,285)	(19,651,534)	(1,617,445)	(97,371,462)
Weighted average number of ordinary shares in issue (thousand shares).	934,111	934,111	934,111	934,111	931,436
Basic loss per share (expressed in RMB per share).	<u>(21.46)</u>	<u>(13.31)</u>	<u>(21.04)</u>	<u>(1.73)</u>	<u>(104.54)</u>

(Unaudited)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the Track Record Period, the Company had two categories of potential ordinary shares: Preferred Shares and share options granted under Pre-IPO ESOP Plan. As the Company incurred losses for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, the amounts of

diluted loss per share for the years ended December 31, 2017, 2018, and 2019 and the nine months ended September 30, 2019 and 2020 were the same as basic loss per share of the respective year/period.

15 Property and equipment

The detail information of property and equipment during the Track Record Period is as below:

	Servers, computers and equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2017					
Cost	114,223	894	982	—	116,099
Accumulated depreciation	(26,119)	(101)	(355)	—	(26,575)
Net book amount	88,104	793	627	—	89,524
Year ended December 31, 2017					
Opening net book amount	88,104	793	627	—	89,524
Additions	1,039,247	2,546	10,403	—	1,052,196
Disposal	—	(256)	—	—	(256)
Depreciation charge	(80,966)	(406)	(2,814)	—	(84,186)
Closing net book amount	1,046,385	2,677	8,216	—	1,057,278
At December 31, 2017					
Cost	1,153,470	3,167	11,385	—	1,168,022
Accumulated depreciation	(107,085)	(490)	(3,169)	—	(110,744)
Net book amount	1,046,385	2,677	8,216	—	1,057,278
Year ended December 31, 2018					
Opening net book amount	1,046,385	2,677	8,216	—	1,057,278
Currency translation differences	1	—	—	—	1
Additions	2,144,679	4,693	27,734	14,308	2,191,414
Business combination (<i>Note 33</i>)	1,213	—	—	—	1,213
Disposal	(120)	(36)	—	—	(156)
Depreciation charge	(824,904)	(934)	(3,142)	—	(828,980)
Closing net book amount	2,367,254	6,400	32,808	14,308	2,420,770
At December 31, 2018					
Cost	3,298,439	7,817	39,119	14,308	3,359,683
Accumulated depreciation	(931,185)	(1,417)	(6,311)	—	(938,913)
Net book amount	2,367,254	6,400	32,808	14,308	2,420,770

	Servers, computers and equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended December 31, 2019					
Opening net book amount	2,367,254	6,400	32,808	14,308	2,420,770
Currency translation differences	8	—	—	—	8
Additions	5,105,300	8,543	64,554	38,782	5,217,179
Transfer upon construction in progress to leasehold improvements	—	—	19,061	(19,061)	—
Disposal	(239)	(100)	—	—	(339)
Depreciation charge	(1,382,922)	(3,870)	(18,521)	—	(1,405,313)
Closing net book amount	6,089,401	10,973	97,902	34,029	6,232,305
At December 31, 2019					
Cost	8,401,480	15,945	122,734	34,029	8,574,188
Accumulated depreciation	(2,312,079)	(4,972)	(24,832)	—	(2,341,883)
Net book amount	6,089,401	10,973	97,902	34,029	6,232,305
(Unaudited)					
Nine months ended September 30, 2019					
Opening net book amount	2,367,254	6,400	32,808	14,308	2,420,770
Currency translation differences	1	—	—	—	1
Additions	2,250,032	5,521	49,791	4,753	2,310,097
Transfer upon construction in progress to leasehold improvements	—	—	19,061	(19,061)	—
Disposal	(215)	(39)	—	—	(254)
Depreciation charge	(887,479)	(2,567)	(16,725)	—	(906,771)
Closing net book amount	3,729,593	9,315	84,935	—	3,823,843
At September 30, 2019					
Cost	5,547,541	13,235	107,971	—	5,668,747
Accumulated depreciation	(1,817,948)	(3,920)	(23,036)	—	(1,844,904)
Net book amount	3,729,593	9,315	84,935	—	3,823,843
Nine months ended September 30, 2020					
Opening net book amount	6,089,401	10,973	97,902	34,029	6,232,305
Currency translation differences	3	—	2	—	5
Additions	2,883,446	7,652	22,183	50,526	2,963,807
Transfer upon construction in progress to leasehold improvements	—	—	61,038	(61,038)	—
Disposal	(339)	(204)	—	—	(543)
Depreciation charge	(2,122,953)	(3,916)	(47,323)	—	(2,174,192)
Closing net book amount	6,849,558	14,505	133,802	23,517	7,021,382
At September 30, 2020					
Cost	11,283,780	22,970	205,957	23,517	11,536,224
Accumulated depreciation	(4,434,222)	(8,465)	(72,155)	—	(4,514,842)
Net book amount	6,849,558	14,505	133,802	23,517	7,021,382

Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Cost of revenues	81,332	818,866	1,359,471	876,441	2,109,432
Selling and marketing expenses .	285	598	2,539	1,571	4,878
Administrative expenses	1,392	3,706	21,755	15,024	27,865
Research and development expenses	1,177	5,810	21,548	13,735	32,017
	<u>84,186</u>	<u>828,980</u>	<u>1,405,313</u>	<u>906,771</u>	<u>2,174,192</u>

16 Lease

The Group has applied IFRS 16 retrospectively without using the simplified transitional approach permitted under IFRS 16.

(a) Items recognised in the consolidated balance sheets

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets				
Internet data centers	822,078	790,429	3,823,058	4,705,048
Office buildings	43,545	481,789	529,580	689,434
	<u>865,623</u>	<u>1,272,218</u>	<u>4,352,638</u>	<u>5,394,482</u>

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Lease liabilities				
Current	175,201	498,541	1,337,048	1,871,490
Non-current	695,784	892,257	3,287,984	3,945,201
	<u>870,985</u>	<u>1,390,798</u>	<u>4,625,032</u>	<u>5,816,691</u>

Additions to the right-of-use assets for the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020 were RMB889.7 million, RMB732.4 million, RMB3.8 billion, RMB1.7 billion and RMB2.2 billion, respectively.

(b) *Items recognised in the consolidated income statements:*

	Year ended December 31,			Nine months ended	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation charge of right-of-use assets					
— Internet data centers	4,668	244,555	561,515	325,502	1,013,664
— Office buildings	19,417	81,276	130,713	93,177	143,554
Interest expense (included in finance (expense)/income, net)	6,581	53,145	103,302	62,585	161,899
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses).	<u>53,613</u>	<u>64,966</u>	<u>32,417</u>	<u>20,850</u>	<u>38,034</u>
	<u>84,279</u>	<u>443,942</u>	<u>827,947</u>	<u>502,114</u>	<u>1,357,151</u>

The total cash outflows in financing activities for leases during the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020 are as below:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Principal elements of lease					
payments	18,723	212,613	538,414	343,512	1,007,403
Related interest paid	6,581	53,145	103,302	62,585	161,899
	<u>25,304</u>	<u>265,758</u>	<u>641,716</u>	<u>406,097</u>	<u>1,169,302</u>

The weighted average incremental borrowing rate applied to the lease liabilities was 4.75% per annum during the Track Record Period.

17 Intangible assets

The detail information of intangible assets during the Track Record Period is as below:

	Goodwill	Licenses and copyrights	Trademarks and domain name	Software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017						
Cost	—	34,655	1,135	4,285	—	40,075
Accumulated amortization	—	(4,332)	(28)	(230)	—	(4,590)
Net book amount	—	30,323	1,107	4,055	—	35,485
Year ended December 31, 2017						
Opening net book amount	—	30,323	1,107	4,055	—	35,485
Additions	—	—	—	6,619	—	6,619
Amortization charge	—	(3,465)	(114)	(3,650)	—	(7,229)
Closing net book amount	—	26,858	993	7,024	—	34,875
At December 31, 2017						
Cost	—	34,655	1,135	10,904	—	46,694
Accumulated amortization	—	(7,797)	(142)	(3,880)	—	(11,819)
Net book amount	—	26,858	993	7,024	—	34,875
Year ended December 31, 2018						
Opening net book amount	—	26,858	993	7,024	—	34,875
Additions	—	42,357	1,432	6,115	—	49,904
Business combination (Note 33)	816,062	149,269	—	13,290	7,300	985,921
Disposals	—	—	—	(110)	—	(110)
Amortization charge	—	(16,377)	(346)	(6,834)	(1,217)	(24,774)
Closing net book amount	816,062	202,107	2,079	19,485	6,083	1,045,816
At December 31, 2018						
Cost	816,062	226,281	2,567	30,195	7,300	1,082,405
Accumulated amortization	—	(24,174)	(488)	(10,710)	(1,217)	(36,589)
Net book amount	816,062	202,107	2,079	19,485	6,083	1,045,816
Year ended December 31, 2019						
Opening net book amount	816,062	202,107	2,079	19,485	6,083	1,045,816
Additions	—	76,160	976	24,378	30	101,544
Business combination (Note 33)	20,910	—	—	14,000	1,340	36,250
Disposals	—	(460)	—	—	—	(460)
Amortization charge	—	(47,063)	(1,183)	(12,077)	(2,519)	(62,842)
Closing net book amount	836,972	230,744	1,872	45,786	4,934	1,120,308
At December 31, 2019						
Cost	836,972	301,966	3,543	68,573	8,670	1,219,724
Accumulated amortization	—	(71,222)	(1,671)	(22,787)	(3,736)	(99,416)
Net book amount	836,972	230,744	1,872	45,786	4,934	1,120,308

	Goodwill	Licenses and copyrights	Trademarks and domain name	Software	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)						
Nine months ended September 30, 2019						
Opening net book amount.	816,062	202,107	2,079	19,485	6,083	1,045,816
Additions.	—	38,326	976	4,087	—	43,389
Amortization charge	—	(31,590)	(854)	(7,728)	(1,825)	(41,997)
Closing net book amount	816,062	208,843	2,201	15,844	4,258	1,047,208
At September 30, 2019						
Cost.	816,062	264,607	3,543	34,282	7,300	1,125,794
Accumulated amortization	—	(55,764)	(1,342)	(18,438)	(3,042)	(78,586)
Net book amount	816,062	208,843	2,201	15,844	4,258	1,047,208
Nine months ended September 30, 2020						
Opening net book amount.	836,972	230,744	1,872	45,786	4,934	1,120,308
Additions.	—	203,403	2,933	17,919	—	224,255
Disposals.	—	(300)	—	—	—	(300)
Amortization charge	—	(75,014)	(1,170)	(12,303)	(2,082)	(90,569)
Closing net book amount	836,972	358,833	3,635	51,402	2,852	1,253,694
At September 30, 2020						
Cost.	836,972	504,860	6,476	86,492	8,670	1,443,470
Accumulated amortization	—	(146,027)	(2,841)	(35,090)	(5,818)	(189,776)
Net book amount	836,972	358,833	3,635	51,402	2,852	1,253,694

Other intangible assets mainly represented customer relationships and non-compete agreements acquired through business acquisition transactions (see Note 33 for details).

For the purpose of impairment test of goodwill, goodwill is allocated to groups of CGUs. Such groups of CGUs represent the lowest level within the Group for which the goodwill is monitored for internal management purpose. The recoverable amount of a cash generated-unit was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management for recent years with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below. The Group believes that it is appropriate to cover six years in its cash flow projection according to the budget approved, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

The Group only has one CGU according to its business operation during the Track Record Period. Impairment review on the goodwill of the Group has been conducted by the management as of December 31, 2018 and 2019 according to IAS 36 "Impairment of assets". Management forecasted the average annual revenue growth rate for six-years ranging from 17% to 21%, and the

cash flows beyond the period aforementioned were extrapolated using the estimated annual growth rate of 3%. Pre-tax discount rate from 22% to 26% was used to reflect market assessment of time value and the specific risks relating to the CGU.

Based on the result of the goodwill impairment testing, the estimated headroom was approximately RMB70.2 billion and RMB96.8 billion as of December 31, 2018 and 2019, respectively. For the nine months ended September 30, 2020, the Group also performed impairment testing, the estimated headroom was approximately RMB248.0 billion as of September 30, 2020. As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of the goodwill as of December 31, 2018, 2019 and September 30, 2020, respectively. Management forecasted the average annual revenue growth rate for six-years was 34% and the cash flows beyond the period aforementioned were extrapolated using the estimated annual growth rate of 3%. Pre-tax discount rate of 20% was used to reflect market assessment of time value and the specific risks relating to the CGU.

The Group performs the sensitivity analysis based on the assumptions that revenue growth rate or terminal value or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As of December 31,		As of
	2018	2019	September 30,
	<i>In billions of RMB</i>		<i>In billions of RMB</i>
Revenue growth rate decreases by 10% . . .	36.9	55.4	96.4
Terminal value decreases by 10%	65.7	90.2	228.8
Discount rate increases by 10%	59.6	82.1	211.7

Reasonable possible changes in key assumptions would not lead to impairment as of December 31, 2018, 2019 and as of September 30, 2020, respectively.

Amortization expenses have been charged to the consolidated income statements as follow:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Cost of revenues	—	6,270	30,943	19,401	64,085
Administrative expenses	5,172	14,694	25,854	19,430	19,293
Research and development expenses	2,057	3,810	6,045	3,166	7,191
	<u>7,229</u>	<u>24,774</u>	<u>62,842</u>	<u>41,997</u>	<u>90,569</u>

18 Investments in subsidiaries-Company

The detail information of investments in subsidiaries for the Company during the Track Record Period is as below:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in subsidiaries (<i>Note a</i>) . . .	8	8	8	8
Deemed investments arising from share-based compensation (<i>Note b</i>) .	<u>467,159</u>	<u>1,168,760</u>	<u>1,911,063</u>	<u>2,844,165</u>
	<u>467,167</u>	<u>1,168,768</u>	<u>1,911,071</u>	<u>2,844,173</u>

Notes:

- (a) As at December 31, 2017, 2018 and 2019 and September 30, 2020, the Company's investments in subsidiaries amounted to HKD10,000 (equivalent to approximately RMB8,000).
- (b) The amount represents share-based compensation expenses arising from the grant of share options of the Company to employees of the subsidiaries (Note 27) in exchange for their services provided to certain subsidiaries now comprising the Group, which were deemed to be investments made by the Company into these subsidiaries.

19 Financial instruments by category

The detail information of financial instruments by category during the Track Record Period is as below:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets as per balance sheets				
Financial assets measured at fair value through profit or loss:				
— Listed equity securities	—	—	77,202	95,737
— Unlisted equity securities	49,200	677,919	2,258,272	3,998,760
— Wealth management products . . .	2,472,037	4,273,517	8,825,068	8,450,308
Financial assets measured at amortized costs:				
— Trade receivables	136,641	129,045	1,107,440	1,812,648
— Prepayments, other receivables and other current assets (excluding prepaid promotion and advertising fees, recoverable VAT and other tax prepayments, rental prepayments, prepaid bandwidth fee and other prepayments)	35,036	98,403	134,817	143,895
— Other non-current assets	13,642	50,829	44,627	86,448
— Time deposits	—	—	1,380,994	11,244,150
— Restricted cash	251,893	285,274	1,386	5,253
— Cash and cash equivalents	2,688,512	5,370,332	3,996,236	7,703,012
Total	5,646,961	10,885,319	17,826,042	33,540,211

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Liabilities as per balance sheets				
Financial liabilities measured at fair value through profit or loss:				
— Convertible redeemable preferred shares	26,652,555	47,211,431	69,444,163	175,237,831
Financial liabilities measured at amortized cost:				
— Accounts payables	1,802,517	2,025,563	9,055,133	10,913,350
— Other payables and accruals (excluding employee benefit payables, and other taxes payable)	10,439	47,527	1,401,217	2,355,280
— Lease liabilities	870,985	1,390,798	4,625,032	5,816,691
— Borrowings	—	—	—	300,000
Total	29,336,496	50,675,319	84,525,545	194,623,152

20 Financial assets at fair value through profit or loss

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Non-current assets				
Investments in unlisted entities	49,200	677,919	2,258,272	3,998,760
Current assets				
Investments in listed entities				
— Hong Kong listed	—	—	77,202	95,737
Wealth management products	2,472,037	4,273,517	8,825,068	8,450,308
	2,472,037	4,273,517	8,902,270	8,546,045
Total	2,521,237	4,951,436	11,160,542	12,544,805

The Group has invested in several unlisted companies during Track Record Period, the major investments are as following: the Group invested in Zhihu Technology Limited in August 2019 in the form of convertible redeemable preferred shares, invested in Leading Smart Holdings Limited and SHAREit Technology Holdings Inc. in March 2020 and April 2020, respectively, in the form of convertible redeemable preferred shares.

Movements in financial assets at fair value through profit or loss are as below:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
At the beginning of the year/period	2,000	2,521,237	4,951,436	4,951,436	11,160,542
Additions	5,897,411	18,057,645	57,292,418	39,507,618	46,068,073
Disposal	(3,376,458)	(15,789,767)	(51,112,055)	(32,086,139)	(44,961,282)
Change in fair value through profit or loss	49,745	137,457	(14,041)	220,576	465,712
Deemed disposal due to business combination (Note 33)	—	(46,432)	—	—	—
Currency translation differences	(51,461)	71,296	42,784	70,806	(188,240)
At the end of the year/period	2,521,237	4,951,436	11,160,542	12,664,297	12,544,805

21 Trade receivables

The detail information of trade receivables during the Track Record Period is as below:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
Trade receivables from contracts with customers	136,641	129,120	1,112,214	1,835,477
Less: credit loss allowances	—	(75)	(4,774)	(22,829)
	<u>136,641</u>	<u>129,045</u>	<u>1,107,440</u>	<u>1,812,648</u>

The Group generally allows a credit period of 90 days to its customers. Aging analysis of trade receivables based on invoice date is as follows:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
Up to 3 months	136,641	129,120	1,104,662	1,624,531
3 to 6 months	—	—	7,552	210,946
	<u>136,641</u>	<u>129,120</u>	<u>1,112,214</u>	<u>1,835,477</u>

Movements on the Group's allowance for credit loss of trade receivables are as follows:

	Year ended December 31,			Nine months ended	
	2017	2018	2019	September 30,	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019	2020
				<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
At the beginning of the year/period	—	—	(75)	(75)	(4,774)
Additional provision	—	(75)	(4,699)	(1,182)	(18,055)
At the end of the year/period	<u>—</u>	<u>(75)</u>	<u>(4,774)</u>	<u>(1,257)</u>	<u>(22,829)</u>

22 Prepayments, other receivables and other current assets

The detail information of prepayments, other receivables and other current assets during the Track Record Period is as below:

Group

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
Prepaid promotion and advertising fees	32,248	130,023	1,354,825	391,108
Recoverable VAT and other tax prepayments	16,433	405,595	505,219	1,561,430
Deposit	3,469	48,500	66,381	77,335
Loan receivables	—	34,316	34,881	34,051
Interest receivable	561	6,169	13,111	24,815
Rental prepayments	318	5,671	7,986	17,655
Prepaid bandwidth fee	1,641	61,656	2,083	—
Others	37,887	33,985	66,832	90,979
	92,557	725,915	2,051,318	2,197,373
Less: credit loss allowances	—	(965)	(18,564)	(18,326)
	<u>92,557</u>	<u>724,950</u>	<u>2,032,754</u>	<u>2,179,047</u>

Company

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
Amount due from subsidiaries	1,104,003	5,618,358	9,184,929	23,806,448
Others	3,028	5,725	7,064	20,246
	<u>1,107,031</u>	<u>5,624,083</u>	<u>9,191,993</u>	<u>23,826,694</u>

23 Cash and bank balances

(a) Cash and cash equivalents

Group

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	2,638,512	3,311,372	2,402,816	7,564,012
Time deposits with initial terms within three months	50,000	2,058,960	1,593,420	139,000
	<u>2,688,512</u>	<u>5,370,332</u>	<u>3,996,236</u>	<u>7,703,012</u>

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	922,976	1,240,197	1,240,372	3,740,784
USD	1,765,536	4,118,078	2,745,018	3,938,066
HKD	—	—	620	7
SGD	—	9,578	7,919	7,083
Others	—	2,479	2,307	17,072
	<u>2,688,512</u>	<u>5,370,332</u>	<u>3,996,236</u>	<u>7,703,012</u>

The weighted average effective interest rates on time deposits of the Group with initial terms within three months as of December 31, 2017, 2018 and 2019 and September 30, 2020 were 1.82%, 3.52%, 2.28% and 2.03%, per annum, respectively.

Company

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand	1,672,129	1,624,045	1,080,936	3,533,397
Time deposits with initial terms within three months	—	2,058,960	859,538	—
	1,672,129	3,683,005	1,940,474	3,533,397

Cash and cash equivalents are denominated in the following currencies.

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	1,672,129	3,682,999	1,940,468	3,533,391
RMB	—	6	6	6
	1,672,129	3,683,005	1,940,474	3,533,397

The weighted average effective interest rates on time deposits of the Company with initial terms within three months as of December 31, 2018 and 2019 were 3.52% and 2.25%, per annum, respectively.

(b) Restricted cash

Restricted cash are denominated in the following currencies:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	—	20,011	479	706
USD	251,893	265,263	907	4,547
	<u>251,893</u>	<u>285,274</u>	<u>1,386</u>	<u>5,253</u>

As of December 31, 2017, USD30.0 million (approximately equivalent to RMB196.0 million) and USD8.6 million (approximately equivalent to RMB55.9 million) were deposited at Silicon Valley Bank into escrow accounts with other parties related to financing activities for certain terms. The security deposit of USD38.6 million (approximately equivalent to RMB264.6 million) which was restricted during the year ended December 31, 2017 was not released as of December 31, 2018. As of December 31, 2019, the restricted cash in escrow accounts at Silicon Valley Bank amounting to USD38.6 million was released as the restriction terms were achieved in the year of 2019.

As of December 31, 2018, RMB20.0 million restricted security deposit were held at bank for issuance of letter of guarantee.

As of September 30, 2020, USD0.7 million (approximately equivalent to RMB4.5 million) was held at bank as a restricted deposit.

*(c) Time deposits**Group*

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits denominated in RMB . .	—	—	110,000	610,000
Time deposits denominated in USD. . .	—	—	1,270,994	10,634,150
	—	—	1,380,994	11,244,150

The interest rates on time deposits of the Group with initial terms over three months as of December 31, 2019 and September 30, 2020 were in the range of 2.30% to 4.18% and 0.57% to 4.18%, per annum, respectively.

Company

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits denominated in USD. . .	—	—	1,270,994	3,541,252

The interest rates on time deposits of the Company with initial terms over three months as of December 31, 2019 and September 30, 2020 were in the range of 2.30% to 2.40% and 0.70% to 2.15%, per annum, respectively.

24 Share capital

Authorized:

	Number of ordinary shares	Nominal value of ordinary shares	Number of Preferred Shares	Nominal value of Preferred Shares
	'000	USD'000	'000	USD'000
At January 1, 2017	7,866,374	42	1,348,754	7
Issuance of Series D-1 Preferred Shares	(407,237)	(2)	407,237	2
Ordinary shares	190,142	1	—	—
At December 31, 2017	7,649,279	41	1,755,991	9
Issuance of Series E Preferred Shares .	(200,121)	(1)	200,121	1
Ordinary shares	28,692	—	—	—
At December 31, 2018	7,477,850	40	1,956,112	10
Issuance of Series E-1 Preferred Shares	(34,306)	—	34,306	—
At December 31, 2019	7,443,544	40	1,990,418	10
Issuance of Series F-1 and F-2 Preferred Shares	(455,300)	(2)	455,300	2
Re-designation of ordinary shares to Preferred Shares	(3,439)	—	3,439	—
At September 30, 2020	<u>6,984,805</u>	<u>38</u>	<u>2,449,157</u>	<u>12</u>

Issued:

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
	'000	USD'000	RMB'000
At January 1, 2017 and December 31, 2017, 2018 and 2019	934,111	5	30
Re-designation of ordinary shares to Preferred Shares	(3,439)	—	—
At September 30, 2020	<u>930,672</u>	<u>5</u>	<u>30</u>

On February 6, 2018, the Company has obtained all approvals and consents necessary for the split of every one share of the Company, par value of US\$0.0005 per share, to 94.0527 shares, par value of US\$0.0000053 per share (“**Share Split**”). The foregoing Share Split has been carried out in compliance with all applicable Laws in all respects and has been retroactively reflected through in the Track Record Period.

Under the Secondary Shares Purchase Agreement dated January 18, 2020 (the “**Agreement**”), certain ordinary shareholders of the Company, shall sell a total of 3,438,466 ordinary shares to certain Series F-2 preferred shareholders of the Company. Subject to the terms and conditions of Agreement, each ordinary share to be purchased and sold shall, concurrently with the Closing, be reclassified and designated into one (1) Series F-2 Preferred Shares. The re-designation of ordinary shares to Preferred Shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of Series F-2 Preferred Shares. The fair value difference between ordinary shares and Preferred Shares mentioned above was recognized as expenses.

Key terms of the issued Preferred Shares have been set out in Note 32.

25 Other reserves

The following table shows a breakdown of the balance sheet line item ‘other reserves’ and the movements in these reserves during the year/period. A description of the nature and purpose of each reserve is provided below the table.

Group

	Capital reserve	Share-based compensation	Currency translation differences <i>(Note a)</i>	Statutory surplus reserve <i>(Note b)</i>	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2017	(7,247)	170,624	(302,039)	416	(24,463)	(162,709)
Share-based compensation . .	—	296,535	—	—	—	296,535
Currency translation differences	—	—	881,907	—	—	881,907
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	(58,351)	(58,351)
Appropriations to statutory reserves	—	—	—	59,438	—	59,438

	Capital reserve	Share-based compensation	Currency translation differences (Note a)	Statutory surplus reserve (Note b)	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2017.	(7,247)	467,159	579,868	59,854	(82,814)	1,016,820
Share-based compensation	—	701,601	—	—	—	701,601
Currency translation differences	—	—	(1,796,151)	—	—	(1,796,151)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	4,838	4,838
Appropriations to statutory reserves	—	—	—	44,495	—	44,495
As of December 31, 2018.	(7,247)	1,168,760	(1,216,283)	104,349	(77,976)	(28,397)
Share-based compensation	—	742,303	—	—	—	742,303
Currency translation differences	—	—	(910,997)	—	—	(910,997)
Net exercise of share options (Note c)	(186,988)	—	—	—	—	(186,988)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	(17,338)	(17,338)
Appropriations to statutory reserves	—	—	—	80,136	—	80,136
As of December 31, 2019.	<u>(194,235)</u>	<u>1,911,063</u>	<u>(2,127,280)</u>	<u>184,485</u>	<u>(95,314)</u>	<u>(321,281)</u>

	Capital reserve	Share-based compensation	Currency translation differences <i>(Note a)</i>	Statutory surplus reserve <i>(Note b)</i>	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)						
As of January 1, 2019	(7,247)	1,168,760	(1,216,283)	104,349	(77,976)	(28,397)
Share-based compensation . .	—	564,039	—	—	—	564,039
Currency translation differences	—	—	(1,348,464)	—	—	(1,348,464)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	(10,186)	(10,186)
As of September 30, 2019 .	<u>(7,247)</u>	<u>1,732,799</u>	<u>(2,564,747)</u>	<u>104,349</u>	<u>(88,162)</u>	<u>(823,008)</u>
As of January 1, 2020	(194,235)	1,911,063	(2,127,280)	184,485	(95,314)	(321,281)
Share-based compensation . .	—	933,102	—	—	—	933,102
Currency translation differences	—	—	3,948,658	—	—	3,948,658
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	—	(903)	(903)
Re-designation of ordinary shares to Preferred Shares <i>(Note 24)</i>	(121,731)	—	—	—	—	(121,731)
As of September 30, 2020 .	<u>(315,966)</u>	<u>2,844,165</u>	<u>1,821,378</u>	<u>184,485</u>	<u>(96,217)</u>	<u>4,437,845</u>

Note a: Currency translation difference represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the reporting currency of RMB for the financial statements of the Company and the Group.

Note b: In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve funds and the discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve fund is 10%. The amount to be transferred to the discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both the statutory surplus reserve fund and discretionary reserve fund can be capitalised as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly foreign-owned subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve fund. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, no need to make such transfer further. With approvals obtained from respective boards of directors of these companies, the reserve fund can be used to offset accumulated deficit or to increase capital.

Company

	Capital reserve	Share-based compensation	Currency translation differences	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As of January 1, 2017	(7,247)	170,624	(587,500)	(24,463)	(448,586)
Share-based compensation	—	296,535	—	—	296,535
Currency translation differences	—	—	1,322,633	—	1,322,633
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	(58,351)	(58,351)
As of December 31, 2017	(7,247)	467,159	735,133	(82,814)	1,112,231
Share-based compensation	—	701,601	—	—	701,601
Currency translation differences	—	—	(1,708,857)	—	(1,708,857)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	4,838	4,838
As of December 31, 2018	(7,247)	1,168,760	(973,724)	(77,976)	109,813
Share-based compensation	—	742,303	—	—	742,303
Currency translation differences	—	—	(828,082)	—	(828,082)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	(17,338)	(17,338)
Net exercise of share options (Note c)	(186,988)	—	—	—	(186,988)
As of December 31, 2019	<u>(194,235)</u>	<u>1,911,063</u>	<u>(1,801,806)</u>	<u>(95,314)</u>	<u>(180,292)</u>

	Capital reserve	Share-based compensation	Currency translation differences	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)					
As of January 1, 2019	(7,247)	1,168,760	(973,724)	(77,976)	109,813
Share-based compensation	—	564,039	—	—	564,039
Currency translation differences	—	—	(1,185,842)	—	(1,185,842)
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	(10,186)	(10,186)
As of September 30, 2019	<u>(7,247)</u>	<u>1,732,799</u>	<u>(2,159,566)</u>	<u>(88,162)</u>	<u>(522,176)</u>
As of January 1, 2020	(194,235)	1,911,063	(1,801,806)	(95,314)	(180,292)
Share-based compensation	—	933,102	—	—	933,102
Currency translation differences	—	—	3,642,134	—	3,642,134
Fair value change on convertible redeemable preferred shares due to own credit risk	—	—	—	(903)	(903)
Re-designation of ordinary shares to Preferred Shares (Note 24)	(121,731)	—	—	—	(121,731)
As of September 30, 2020	<u>(315,966)</u>	<u>2,844,165</u>	<u>1,840,328</u>	<u>(96,217)</u>	<u>4,272,310</u>

Note c: 273,955,853 shares issuable upon listing were issued from such net exercise of options, which allowed employees to use shares issuable to settle exercise price and individual income tax liabilities.

26 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

27 Share-based compensation

On December 22, 2014, the board of directors of the Company approved the establishment of Pre-IPO ESOP Plan with the purpose of attracting, motivating, retaining and rewarding certain employees, directors and other eligible persons. Pre-IPO ESOP Plan is valid and effective for 10 years from the approval of the board of directors. The maximum number of shares that may be issued under Pre-IPO ESOP Plan shall be 312,661,648 of ordinary shares. In February 2015, the shareholders of the Company authorized the increase of ordinary shares reserved for issuance under Pre-IPO ESOP Plan to 509,616,655 ordinary shares. In February 2018, the shareholders of the Company authorized the increase of ordinary shares reserved for issuance under Pre-IPO ESOP Plan to 711,946,697 ordinary shares. Pre-IPO ESOP Plan permits the awards of options.

Share options granted to employee

The majority of share options have graded vesting terms, and will be vested from the grant date over 4 years on the condition that employees remain in service without any performance requirements. For granted share options with vesting schedule as 4 years, 25% of the aggregate number of granted share options are vested on the first anniversary of the grant date, and remaining granted share options are vested in equal tranches every month over the next thirty-six months.

The options may be exercised at any time after the Initial Public Offering (the “**IPO**”) of the Company provided the options have vested and subject to the terms of the award agreement. The options are exercisable for a maximum period of 10 years after the date of grant.

Movements in the number of share options granted and their related weighted average exercise prices (taking into account the effect of Share Split as described above) are as follows (all share options are presented as after Share Split):

	Number of share options	Weighted average exercise price per share option
		<i>USD</i>
Outstanding as of January 1, 2017	242,250,665	0.02
Granted during the year.	169,443,079	0.04
Forfeited during the year.	(312,045)	0.04
Outstanding as of December 31, 2017.....	<u>411,381,699</u>	<u>0.03</u>
Exercisable as of December 31, 2017	—	—
Outstanding as of January 1, 2018	411,381,699	0.03
Granted during the year.	64,604,067	0.04
Forfeited during the year.	(23,967,262)	0.04
Outstanding as of December 31, 2018.....	<u>452,018,504</u>	<u>0.03</u>
Exercisable as of December 31, 2018	—	—
Outstanding as of January 1, 2019	452,018,504	0.03
Granted during the year.	38,633,407	0.71
Forfeited during the year.	(9,206,519)	0.04
Net exercise of share options*	<u>(279,082,616)</u>	<u>0.03</u>
Outstanding as of December 31, 2019.....	<u>202,362,776</u>	<u>0.16</u>
Exercisable as of December 31, 2019	—	—
(Unaudited)		
Outstanding as of January 1, 2019	452,018,504	0.03
Granted during the period	28,492,880	0.88
Forfeited during the period	(6,900,971)	0.04
Outstanding as of September 30, 2019	<u>473,610,413</u>	<u>0.08</u>
Exercisable as of September 30, 2019.....	—	—
Outstanding as of January 1, 2020	202,362,776	0.16
Granted during the period	59,505,605	0.17
Forfeited during the period	(12,833,104)	0.54
Outstanding as of September 30, 2020	<u>249,035,277</u>	<u>0.14</u>
Exercisable as of September 30, 2020.....	—	—

* For details of net exercise of share options, please refer to Note 25.

The weighted-average remaining contract life for outstanding share options was 8.27 years, 7.50 years, 7.82 years, 6.91 years and 7.64 years as of December 31, 2017, 2018 and 2019 and September 30, 2019 and 2020, respectively.

Fair value of share options

The Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as the discount rate and projections of future performance, are determined by the Group with best estimate.

Based on fair value of the underlying ordinary shares, the Group has used Binomial model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
				(Unaudited)	
Fair value per share (USD)	0.37–1.98	1.98–2.88	2.88–4.52	2.88–3.20	4.52–9.68
Exercise price (USD)	0.04	0.04	0.04–4.97	0.04–3.72	0.04–4.97
Risk-free interest rates	2.31%–2.51%	2.40%–3.05%	1.68%–2.69%	1.68%–2.69%	0.65%–1.92%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	55.14%–57.59%	54.95%–56.63%	55.20%–57.83%	55.20%–57.83%	57.05%–58.77%
Expected terms	10 years	10 years	10 years	10 years	10 years

The weighted-average fair value of granted share options was US\$0.85, US\$2.72, US\$3.02, US\$2.67 and US\$7.79 per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

28 Accounts payables

Accounts payables and their aging analysis based on invoice date are as follows:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	1,536,489	1,509,058	7,014,917	7,979,085
3 to 6 months	120,277	175,436	803,711	2,139,156
6 months to 1 year	103,968	121,899	717,250	676,903
Over 1 year	41,783	219,170	519,255	118,206
	<u>1,802,517</u>	<u>2,025,563</u>	<u>9,055,133</u>	<u>10,913,350</u>

29 Other payables and accruals

The breakdown of other payables and accruals are as follows:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit payables	150,914	540,525	1,066,601	1,270,519
Refundable deposits from customers . .	3,100	6,403	495,611	1,375,732
Collection on behalf of others	—	1,356	847,064	917,916
Other taxes payable	109,971	256,567	559,750	466,940
Others	7,339	39,768	58,542	61,632
	<u>271,324</u>	<u>844,619</u>	<u>3,027,568</u>	<u>4,092,739</u>

30 Advances from customers

The breakdown of advances from customers are as follows:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
Advances from live streaming				
customers	132,498	318,783	1,009,519	1,622,722
Advances from online marketing				
services customers	57,441	151,560	499,093	1,394,859
Others	135	5,210	20,996	13,577
	<u>190,074</u>	<u>475,553</u>	<u>1,529,608</u>	<u>3,031,158</u>

The above mentioned advances from customers represented the contract liability in connection with the advances for the purchase of virtual items and advanced cash receipt for services including online marketing services and others. Revenue recognized from the advances from customers balance as of January 1, 2017, 2018, 2019 and 2020 in each year of 2017, 2018, 2019 and the nine months of 2019 and 2020 was RMB29.9 million, RMB176.8 million, RMB410.8 million, RMB410.8 million and RMB1.4 billion, respectively.

31 Deferred income tax

The analysis of deferred tax assets and liabilities before offsetting, the offsetting amount, as well as the deferred tax assets and liabilities after offsetting are as follows:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Deferred tax assets:				
To be recovered after 12 months	942	3,840	56,111	452,213
To be recovered within 12 months . . .	6,869	161,709	821,120	1,729,702
	<u>7,811</u>	<u>165,549</u>	<u>877,231</u>	<u>2,181,915</u>
Deferred tax liabilities:				
To be recovered after 12 months	—	36,854	48,619	58,530
To be recovered within 12 months . . .	—	4,660	5,927	5,153
	<u>—</u>	<u>41,514</u>	<u>54,546</u>	<u>63,683</u>
Offsetting amounts	<u>—</u>	<u>3,629</u>	<u>17,046</u>	<u>30,094</u>
Deferred tax assets after offsetting . .	<u>7,811</u>	<u>161,920</u>	<u>860,185</u>	<u>2,151,821</u>
Deferred tax liabilities after				
offsetting	<u>—</u>	<u>37,885</u>	<u>37,500</u>	<u>33,589</u>

The amounts of the deferred tax assets before offsetting the taxes are as follows:

	Year ended December 31,			Nine months ended	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the					
year/period	<u>—</u>	<u>7,811</u>	<u>165,549</u>	<u>165,549</u>	<u>877,231</u>
Credited to the consolidated					
income statements	7,811	157,738	711,682	380,191	1,304,684
At the end of the year/period . .	<u>7,811</u>	<u>165,549</u>	<u>877,231</u>	<u>545,740</u>	<u>2,181,915</u>

The amounts of the deferred tax liabilities before offsetting the taxes are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
At the beginning of the year/period	—	—	41,514	41,514	54,546
Business combination	—	40,123	3,843	—	—
Debited to the consolidated income statements	—	1,391	9,189	2,513	9,137
At the end of the year/period . .	<u>—</u>	<u>41,514</u>	<u>54,546</u>	<u>44,027</u>	<u>63,683</u>

Deferred tax assets:

	Provisions	Tax losses	Fair value changes of financial assets	Credit loss allowance	Others	Total
At January 1, 2017	—	—	—	—	—	—
Credited to consolidated income statements	6,869	—	—	—	942	7,811
At December 31, 2017	6,869	—	—	—	942	7,811
Credited to consolidated income statements	154,823	—	—	17	2,898	157,738
At December 31, 2018	161,692	—	—	17	3,840	165,549
Credited to consolidated income statements	656,404	—	44,222	3,007	8,049	711,682
At December 31, 2019	<u>818,096</u>	<u>—</u>	<u>44,222</u>	<u>3,024</u>	<u>11,889</u>	<u>877,231</u>
(Unaudited)						
At January 1, 2019	161,692	—	—	17	3,840	165,549
Credited to consolidated income statements	372,804	—	1,117	568	5,702	380,191
At September 30, 2019	<u>534,496</u>	<u>—</u>	<u>1,117</u>	<u>585</u>	<u>9,542</u>	<u>545,740</u>
At January 1, 2020	818,096	—	44,222	3,024	11,889	877,231
Credited to consolidated income statements	904,268	380,197	5,466	4,612	10,141	1,304,684
At September 30, 2020	<u>1,722,364</u>	<u>380,197</u>	<u>49,688</u>	<u>7,636</u>	<u>22,030</u>	<u>2,181,915</u>

The unrecognized deferred tax assets for tax losses as of December 31, 2017, 2018, 2019 and September 30, 2020 are as the table below:

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Deductible cumulative tax losses				
— To be carried forward indefinitely	62,882	424,695	818,025	2,738,292
— To be expired within following years*	8,229	402,725	558,200	885,073
	<u>71,111</u>	<u>827,420</u>	<u>1,376,225</u>	<u>3,623,365</u>
Unrecognized deferred tax assets:	<u>12,747</u>	<u>173,219</u>	<u>335,362</u>	<u>716,430</u>

Note:* As of December 31, 2017, 2018, 2019 and September 30, 2020, the deductible cumulative tax losses will expire within 5 years, 10 years, 10 years and 10 years, respectively.

Deferred tax liabilities:

	Fair value changes of financial assets	Business combination	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	—	—	—	—
Debited to consolidated income statements	—	—	—	—
At December 31, 2017	—	—	—	—
Business combination	—	40,123	—	40,123
Debited/(credited) to consolidated income statements	3,629	(2,238)	—	1,391
At December 31, 2018	3,629	37,885	—	41,514
Business combination	—	3,843	—	3,843
Debited/(credited) to consolidated income statements	13,389	(4,821)	621	9,189
At December 31, 2019	<u>17,018</u>	<u>36,907</u>	<u>621</u>	<u>54,546</u>
(Unaudited)				
At January 1, 2019	3,629	37,885	—	41,514
Debited/(credited) to consolidated income statements	5,993	(3,495)	15	2,513
At September 30, 2019	<u>9,622</u>	<u>34,390</u>	<u>15</u>	<u>44,027</u>
At January 1, 2020	17,018	36,907	621	54,546
Debited/(credited) to consolidated income statements	12,952	(3,979)	164	9,137
At September 30, 2020	<u>29,970</u>	<u>32,928</u>	<u>785</u>	<u>63,683</u>

32 Convertible redeemable preferred shares

Since the date of incorporation, the Company has completed several rounds of financing by issuing Preferred Shares to investors, namely, series A Preferred Shares, series B Preferred Shares, series B-1 Preferred Shares, series C Preferred Shares, series C-1 Preferred Shares, series D Preferred Shares, series D-1 Preferred Shares, series E Preferred Shares, series E-1 Preferred Shares, series F-1 Preferred Shares and series F-2 Preferred Shares.

The details of the issuance are set out in the table below (after taking into consideration of Share Split):

	Date of Issuance	Purchase Price (US\$/Share)	Number of Shares	Total consideration	
				USD '000	RMB '000
Series A Preferred Shares	June 20, 2014	0.00370	356,224,601	1,318	8,209
Series B Preferred Shares	July 22, 2014	0.04210	474,997,455	19,750	122,633
Series B-1 Preferred Shares	April 1, 2015	0.31170	6,416,275	2,000	12,395
Series C Preferred Shares	February 13, 2015	0.38963	282,319,024	110,000	688,238
Series C-1 Preferred Shares	July 9, 2015	0.46808	42,728,141	20,000	124,184
Series D Preferred Shares	January 21, 2016	0.69061	186,068,877	128,500	846,085
Series D-1 Preferred Shares	March 15, 2017	0.85945	407,236,905	350,000	2,419,863
Series E Preferred Shares	March 29, 2018	4.99699	200,120,473	1,000,000	6,300,116
Series E-1 Preferred Shares	September 30, 2019	5.24684	34,306,363	180,000	1,273,032
Series F-1 Preferred Shares	February 11, 2020	5.73742	104,576,622	600,000	4,191,055
Series F-2 Preferred Shares	February 11, 2020	6.84299	354,162,343	2,400,000	16,765,487
			<u>2,449,157,079</u>	<u>4,811,568</u>	<u>32,751,297</u>

The key terms of the Preferred Shares are summarised as follows:

(a) Dividends rights

Prior to Series D Preferred Shares, each holder of Preferred Shares shall be entitled to receive from the Company, out of funds legally available, non-cumulative dividends per Preferred Share held by such holder accrued at the rate of six percent (6%), further modified as eight percent (8%) of the applicable original issue price per annum for Series D and other senior series Preferred Shares (as adjusted for any stock dividends, combinations or splits with respect to such shares), when and if declared by the board, prior and in preference to holders of all other current or future class or series of Shares of the Company, including the ordinary shares. The dividends should be paid in the following order: Series F-2 preferred shareholders and Series F-1 preferred shareholders, Series E-1 preferred shareholders, Series E preferred shareholders, Series D-1

preferred shareholders, Series D preferred shareholders, Series C-1 preferred shareholders, Series C preferred shareholders, Series B-1 preferred shareholders, Series B preferred shareholders, Series A preferred shareholders, ordinary shareholders.

(b) Conversion feature

The Preferred Shares shall be converted into ordinary shares at the option of holders at any time after the considerations of each series of Preferred Shares were fully-paid, or automatically converted into ordinary shares at the then effective applicable conversion price upon the closing of the Qualified Initial Public Offering (the “**QIPO**”). In the event of the automatic conversion of the Preferred Shares, the person(s) entitled to receive the ordinary shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such transaction.

QIPO means a firm underwritten public offering of the shares or other securities of the Company pursuant to a registration statement that is filed with and declared effective by the competent Governmental Authority in accordance with relevant securities Laws of the United States or Hong Kong or any other jurisdiction on an internationally recognised stock exchange in (i) the United States or Hong Kong or (ii) any other jurisdiction as approved by the board of directors, with the total pre-money market capitalization of the Company not less than certain amount and gross proceeds to the Company in excess of certain amount (prior to underwriting discounts, commissions and expenses).

(c) Redemption feature

For Series F-1 and F-2 preferred shareholders, at any time and from time to time after the earliest of (i) forty-eight months from the Series F-1 and Series F-2 Preferred Shares (collectively as “**Series F Preferred Shares**”) issuance date, (ii) any restructuring of the Company, (iii) the Company or founders of the Group breach the agreements made with preferred shareholders, (iv) main business of the Group conducted in the PRC being indefinitely shut down by any PRC Governmental Authority, or material license, permit or government approvals of the Group have been revoked (v) any holder of any other class of shares elects to exercise its redemption right, each holder of the Series F Preferred Shares issued and then outstanding may require the Company to redeem all, or any, of the issued and then outstanding Series F Preferred Shares held by such requesting holder(s). The redemption commencement date for Series F-1 and F-2 Preferred Shares is February 11, 2024.

For other series of Preferred Shares, the redemption terms are similar, except for the respective redemption commencement dates as set out below:

	Redemption Commencement date	
Series C-1, C, B-1, B, A Preference Shares	Seventy-two months from the Series C Preferred Shares issuance date	February 13, 2021
Series D Preference Shares	Sixty months from the Series D Preferred Shares issuance date	January 21, 2021
Series D-1 Preference Shares	Forty-eight months from the Series D-1 Preferred Shares issuance date	March 15, 2021
Series E Preference Shares	Forty-eight months from the Series E Preferred Shares issuance date	March 29, 2022
Series E-1 Preference Shares	Forty-eight months from the Series E-1 Preferred Shares issuance date	September 30, 2023

The redemption price shall be paid by the Company to the preferred shareholders in amount equal to the greater of (i) and (ii) below: (i) one hundred percent (100%) of the original issue price on each Preferred Share, plus a simple eight percent (8%) per annum interest of the original issue price on each Preferred Share accrued during the period from the issuance date of each Preferred Share until the date on which the redemption price is paid in full, and any accrued but unpaid dividends thereon; (ii) the fair market value of such Preferred Share, the valuation of which shall be determined through an independent appraisal performed by an appraiser approved by the board of directors. In October 2020, all preferred shareholders agreed to modify the redemption commencement date to April 30, 2022.

(d) Liquidation preferences

Upon the occurrence of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets of the Company legally available for distribution shall be distributed among the holders of the issued and outstanding shares (on an as-converted basis) in the following order and manner:

Each holder of Preferred Shares shall be entitled to receive for each Preferred Share held, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of previous Preferred Shares and ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the applicable preferred issue price, plus all accrued or declared but unpaid dividends on such

Preferred Share. If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of Series F-1 and Series F-2 Preferred Shares, second to holders of Series E-1 Preferred Shares, third to holders of Series E Preferred Shares, fourth to Series D-1 Preferred Shares, fifth to Series D Preferred Shares, sixth to Series C-1 Preferred Shares, seventh to Series C Preferred Shares, eighth to Series B-1 Preferred Shares, ninth to Series B Preferred Shares and lastly to holders of series A Preferred Shares.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated income statements.

The movements of the convertible redeemable preferred shares are set out as below:

	<i>RMB'000</i>
At January 1, 2017	4,724,587
Issuance of Series D-1 Preferred Shares	2,419,863
Change in fair value	20,580,727
Includes: change in fair value due to own credit risk.	58,351
Currency translation differences	(1,072,622)
At December 31, 2017	<u>26,652,555</u>
Total unrealized gains and change in fair value for the year included in "Fair value changes of convertible redeemable preferred shares"	20,522,376
At January 1, 2018	26,652,555
Issuance of Series E Preferred Shares	6,300,116
Change in fair value	11,927,677
Includes: change in fair value due to own credit risk.	(4,838)
Currency translation differences	2,331,083
At December 31, 2018	<u>47,211,431</u>
Total unrealized gains and change in fair value for the year included in "Fair value changes of convertible redeemable preferred shares"	11,932,515
At January 1, 2019	47,211,431
Issuance of Series E-1 Preferred Shares	1,273,032
Change in fair value	19,960,452
Includes: change in fair value due to own credit risk.	17,338
Currency translation differences	999,248
At December 31, 2019	<u>69,444,163</u>
Total unrealized gains and change in fair value for the year included in "Fair value changes of convertible redeemable preferred shares"	19,943,114

	<i>RMB'000</i>
(Unaudited)	
At January 1, 2019	47,211,431
Issuance of Series E-1 Preferred Shares	1,273,032
Change in fair value	2,900,276
Includes: change in fair value due to own credit risk.	10,186
Currency translation differences	1,535,472
At September 30, 2019	<u>52,920,211</u>
Total unrealized gains and change in fair value for the period included in “Fair value changes of convertible redeemable preferred shares”	2,890,090
At January 1, 2020	69,444,163
Issuance of Series F-1 & F-2 Preferred Shares	20,956,542
Re-designation of Series F Preferred Shares from ordinary shares (<i>Note 24</i>) . . .	163,809
Change in fair value	89,150,959
Includes: change in fair value due to own credit risk.	903
Currency translation differences	(4,477,642)
At September 30, 2020	<u>175,237,831</u>
Total unrealized gains and change in fair value for the period included in “Fair value changes of convertible redeemable preferred shares”	<u>89,150,056</u>

As of September 30, 2020, the balance of Series A, B, B-1, C, C-1, D, D-1 Preference Shares amounting to RMB122.8 billion were reclassified as current liability in view of their redemption commencement date were within one year from September 30, 2020.

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set as below:

	As of December 31,			As of September 30,	
	2017	2018	2019	2019	2020
				(Unaudited)	
Discount rate	24.00%	22.00%	19.00%	20.00%	17.00%
Risk-free interest rate . .	1.90%	2.48%	1.59%	1.71%	0.10%
DLOM	10.00%	10.00%	5.00%	7.50%	5.00%
Volatility	49.92%	50.97%	48.69%	55.88%	54.79%

Discount rate (post-tax) was estimated by weighted average cost of capital as at each valuation date. The directors estimated the risk-free interest rate based on the yield of US Government Bond with maturity life close to the QIPO timing as of valuation date. The DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put

option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term. Probability weight among redemption, liquidation and IPO scenarios was based on the Company's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Preferred Shares on each valuation date.

Changes in fair value of Preferred Shares were recorded in "fair value changes of convertible redeemable preferred shares" in the consolidated income statements, and the fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are recorded in other comprehensive loss.

33 Business combination

(a) Acquisition of Company X

Company X is a company that develops and provides web-based technologies that allows multi person creating, editing and storing documents online.

In May 2017, the Group signed an agreement to invest USD3.2 million into Company X, to acquire 20% of the equity interest of Company X with certain preferential rights. It was recorded as financial assets at fair value through profit or loss. In April 2018, the Group made a loan of USD23.3 million to the founders of Company X, who were obligated to use the loans to repurchase the equity interests from other shareholders of Company X. In September 2018, the Group signed a share purchase agreement to acquire all equity interests held by founders of Company X with cash consideration of USD3.9 million and waive repayment of the USD23.3 million loan to the founders. Upon the completion of transaction, the Group obtained 100% equity interests and has controlled over Company X since then. The fair value of the previously held equity interest immediately before the acquisition date was remeasured and a remeasurement gain of approximately RMB24.3 million was presented in the "Other gains/(losses), net" of the consolidated income statements.

The following table summarizes the total purchase consideration for acquiring Company X, the fair value of assets acquired, liabilities assumed at the acquisition date:

	September 1, 2018
	<i>RMB'000</i>
Consideration	
Purchase consideration	185,380
Fair value of the acquirer's previously held equity interest	46,432
Total purchase consideration	<u>231,812</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	33,890
Prepayments, other receivables and other current assets	5,710
Intangible assets	13,290
Other payables and accruals	(7)
Deferred tax liabilities	(3,323)
Total identifiable net assets	49,560
Goodwill	182,252
	<u>231,812</u>
	<u>231,812</u>
	September 1, 2018
	<i>RMB'000</i>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	185,380
Less: Cash and cash equivalents acquired	(33,890)
Net outflow of cash — investing activities	<u>151,490</u>

(b) Acquisition of Company Y

Company Y provides high-quality anime and comics contents for users through its website and mobile application.

In May 2018, the Group entered into a series of agreements with Company Y and its shareholders to purchase 100% of the equity interests of Company Y, with total consideration of RMB342.3 million.

The following table summarizes the consideration paid for Company Y, the fair value of assets acquired, liabilities assumed at the acquisition date:

	June 1, 2018
	<i>RMB'000</i>
Consideration	
Purchase consideration settled in cash	342,345
Total consideration paid by the Company	<u>342,345</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	8,735
Prepayments, other receivables and other current assets	15,157
Property and equipment	1,213
Intangible assets (<i>Note a</i>)	156,569
Accounts payables	(21,992)
Other payables and accruals	(411,431)
Advances from customers	(2,916)
Deferred tax liabilities	<u>(36,800)</u>
Total identifiable net assets	(291,465)
Goodwill	<u>633,810</u>
	<u><u>342,345</u></u>

Note a: The intangible assets acquired mainly contains licences, copyrights, customer relationships and non-compete agreements. For the method of valuation of purchase price allocation, refer to Note 4.5.

Goodwill arising from this acquisition was attributable to the synergies expected from incorporated operations of Company Y and its young generation users.

	June 1, 2018
	<i>RMB'000</i>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	342,345
Less: Cash and cash equivalents acquired	<u>(8,735)</u>
Net outflow of cash — investing activities	<u><u>333,610</u></u>

(c) Other acquisition

In October 2019, the Group completed another business acquisition of a company which develops 3D video technologies with total consideration of RMB32.4 million, acquired 100% interest in the company with net assets of RMB11.5 million, recognized goodwill and intangible assets of RMB20.9 million and RMB15.3 million, respectively.

(d) Other information

The acquisition-related costs were not significant and had been charged to administrative expenses in the consolidated income statements for the years ended December 31, 2018 and 2019.

The post-acquisition revenue and net loss contributed by the acquired businesses above were not material to the Group during the Track Record Period.

34 Cash flow information*(a) Cash generated from/(used in) operations*

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax	(19,940,501)	(12,401,064)	(19,265,467)	(1,220,502)	(98,119,055)
Adjustments for:					
Depreciation of property and equipment	84,186	828,980	1,405,313	906,771	2,174,192
Depreciation of right-of-use assets	24,085	325,831	692,228	418,679	1,157,218
Amortization of intangible assets	7,229	24,774	62,842	41,997	90,569
Credit loss allowances on financial assets	—	1,040	22,298	14,160	17,817
Share-based compensation expenses	296,535	701,601	742,303	564,039	977,087
(Gains)/losses on disposal of property, equipment and intangible assets	—	(49)	60	60	568
Fair value change of convertible redeemable preferred shares . . .	20,522,376	11,932,515	19,943,114	2,890,090	89,150,056

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Fair value (gains)/losses on financial assets at fair value through profit or loss.	(49,745)	(133,457)	14,041	(220,576)	(465,712)
Finance (expense)/income, net . .	42,905	53,971	97,720	57,905	120,826
Net foreign exchange losses/(gains).	6,061	(1,161)	(10)	378	(45,551)
Changes in working capital: (Increase)/decrease in trade receivables.	(118,741)	7,521	(983,094)	(365,240)	(723,263)
(Increase)/decrease in prepayments, other receivables and other current assets.	(44,147)	(612,497)	(1,312,600)	(209,758)	1,809
(Increase)/decrease in restricted cash	—	(20,698)	19,312	19,541	(3,867)
Increase in accounts payables .	1,019,407	745,886	4,207,304	1,791,540	3,007,203
Increase in advances from customers.	155,071	282,563	1,054,055	897,976	1,501,550
Increase in other payables and accruals	71,034	161,857	2,182,949	923,943	1,065,171
Cash generated from/(used in) operations	<u>2,075,755</u>	<u>1,897,613</u>	<u>8,882,368</u>	<u>6,511,003</u>	<u>(93,382)</u>

(b) Non-cash investing and financing activities

Non-cash transactions are about the changes in accounts payable related to property and equipment and intangible assets addition described in Note 15 and Note 17, the addition of right-of-use assets and lease liabilities described in Note 16 and the re-designation of ordinary shares to Preferred Shares and issuance of Series E-1 Preferred Shares described in Note 24. Excluding these, there were no other material non-cash investing and financing transactions for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

(c) Reconciliation of liabilities generated from financing activities

	Liabilities from financing activities			
	Convertible redeemable preferred shares	Lease liabilities	Borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities from financing activities as of January 1, 2017	4,724,587	—	—	4,724,587
Cash flows	2,419,863	(25,304)	—	2,394,559
Fair value changes of convertible redeemable preferred shares	20,580,727	—	—	20,580,727
Foreign exchange adjustments	(1,072,622)	—	—	(1,072,622)
Leases	—	896,289	—	896,289
Liabilities from financing activities as of December 31, 2017	<u>26,652,555</u>	<u>870,985</u>	<u>—</u>	<u>27,523,540</u>
Cash flows	6,300,116	(265,758)	—	6,034,358
Fair value changes of convertible redeemable preferred shares	11,927,677	—	—	11,927,677
Foreign exchange adjustments	2,331,083	—	—	2,331,083
Leases	—	785,571	—	785,571
Liabilities from financing activities as of December 31, 2018	<u>47,211,431</u>	<u>1,390,798</u>	<u>—</u>	<u>48,602,229</u>
Cash flows	1,273,032	(641,716)	—	631,316
Fair value changes of convertible redeemable preferred shares	19,960,452	—	—	19,960,452
Foreign exchange adjustments	999,248	—	—	999,248
Leases	—	3,875,950	—	3,875,950
Liabilities from financing activities as of December 31, 2019	<u>69,444,163</u>	<u>4,625,032</u>	<u>—</u>	<u>74,069,195</u>
(Unaudited)				
Liabilities from financing activities as of December 31, 2018	47,211,431	1,390,798	—	48,602,229
Cash flows	—	(406,097)	—	(406,097)
Issuance of Series E-1 Preferred Shares	1,273,032	—	—	1,273,032
Fair value changes of convertible redeemable preferred shares	2,900,276	—	—	2,900,276
Foreign exchange adjustments	1,535,472	—	—	1,535,472
Leases	—	1,739,689	—	1,739,689
Liabilities from financing activities as of September 30, 2019	<u>52,920,211</u>	<u>2,724,390</u>	<u>—</u>	<u>55,644,601</u>

	Liabilities from financing activities			
	Convertible redeemable preferred shares	Lease liabilities	Borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities from financing activities as of December 31, 2019	69,444,163	4,625,032	—	74,069,195
Cash flows	20,956,542	(1,169,302)	300,000	20,087,240
Re-designation of Series F Preferred Shares from ordinary shares.	163,809	—	—	163,809
Fair value changes of convertible redeemable preferred shares.	89,150,959	—	—	89,150,959
Foreign exchange adjustments.	(4,477,642)	—	—	(4,477,642)
Leases.	—	2,360,961	—	2,360,961
Liabilities from financing activities as of September 30, 2020	<u>175,237,831</u>	<u>5,816,691</u>	<u>300,000</u>	<u>181,354,522</u>

35 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Intangible assets	—	—	15,057	7,747
Property and equipment.	95,376	25,553	12,571	314,751
Investment.	—	—	—	55,456
	<u>95,376</u>	<u>25,553</u>	<u>27,628</u>	<u>377,954</u>

(b) Short-term lease commitments

The Group's future aggregate minimum lease payments under non-cancellable short-term leases are as follows, all leases with contract terms over one year have been recorded in lease liabilities and right-of-use assets:

	As of December 31,			As of
	2017	2018	2019	September 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Less than 1 year	40,264	23,180	34,137	36,045

36 Related party transactions

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 operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Company	Relationship
Tencent Holdings Limited and its subsidiaries (the "Tencent Group")	One of the Company's shareholders
Hangzhou Mockuai Technology Co., Ltd.	Investee of the Group
Zhihu Technology Limited.	Investee of the Group

(b) Significant transactions with related parties

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
<u>(i) Sales of services</u>					
Investee of the Group	—	—	113,528	35,017	177,316
One of the Company's shareholders	—	—	178,523	21,586	303,662
	—	—	292,051	56,603	480,978

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
<u>(ii) Purchases of services</u>					
Investees of the Group	—	103	64	64	369
One of the Company's shareholders	278,672	821,556	1,072,869	742,471	1,596,128
	278,672	821,659	1,072,933	742,535	1,596,497

(c) Balances with related parties

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>(i) Prepayments and other receivables from related parties</u>				
One of the Company's shareholders . .	502	5,043	9,971	7,833

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
<u>(ii) Trade receivables from related parties</u>				<i>RMB'000</i>
Investee of the Group	—	—	59,536	40,588
One of the Company's shareholders . .	—	—	137,352	44,138
	—	—	196,888	84,726

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
<u>(iii) Other payables to related parties</u>				<i>RMB'000</i>
Investee of the Group	—	128	424	4,328

	As of December 31,			As of
	2017	2018	2019	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2020
<u>(iv) Accounts payables to related parties</u>				<i>RMB'000</i>
One of the Company's shareholders . .	155,384	147,006	338,829	618,630

All the balances with related parties above were business operation related and were considered as trade in nature during Track Record Period. All the balances with the related parties above were unsecured, non-interest bearing and repayable on demand.

(d) Key management personnel compensation

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Wages, Salaries and bonuses	10,292	13,934	17,118	12,824	13,475
Share-based compensation expenses	95,724	39,371	16,711	13,983	30,488
Other social security costs, housing benefits and other employee benefits	427	468	468	352	290
	<u>106,443</u>	<u>53,773</u>	<u>34,297</u>	<u>27,159</u>	<u>44,253</u>

37 Contingencies

As of December 31, 2017, 2018, 2019 and September 30, 2020, the Group did not have any material contingent liabilities.

38 Subsequent events

In August 2020, the Group entered into a share purchase agreement to acquire 100% equity interests in a company at a preliminary consideration of RMB850 million in cash. The company to be acquired is engaged in online payment service in the PRC. As of the date of this report, the acquisition has not yet been completed.

In October 2020, the Company and preferred shareholders entered into agreements to modify the redemption commencement date to April 30, 2022. According to the modification, all convertible redeemable preferred shares would be presented as non-current liabilities after October 2020. The fair value changes attributable to the modification would be recognized in profit or loss.

In the fourth quarter of 2020, 46,535,418 underlying shares represented by share options have been granted to certain employees of the Group under Pre-IPO ESOP Plan, the related terms of these share options are similar to the existing share options, share-based compensation expenses in respect of the employee services received is to be recognized as an expense over the vesting period. The total amount to be expensed is determined by the fair value of the share options granted at the grant date and taking into account the number of share options that are expected to be vested.

The Group entered into a framework agreement with Beijing Shounong Information Industrial Investment Co., Ltd. (“**Beijing Shounong**”) on January 15, 2021, pursuant to which the Group, through Beijing Kuaishou, agreed to purchase certain properties with a total gross floor area of approximately 114.2 thousand square meters at a total consideration (tax inclusive) of approximately RMB2.8 billion and to lease certain properties with a total gross floor area of approximately 119.5 thousand square meters and relevant parking spaces for a total rental fee of approximately RMB22.8 million per month for the first three years, subject to certain conditions and the final terms in the property purchase contract and lease agreement to be entered into. These properties will mainly be used as offices.

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 September 30, 2020 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2020.

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, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the Accountant's Report set out in Appendix I.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on September 30, 2020 and based on the audited consolidated net tangible liabilities attributable to the equity holders of the Company as at September 30, 2020 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets 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 of the group had the Global Offering been completed as of September 30, 2020 or at any future dates.

	Audited consolidated net tangible liabilities attributable to the equity holders of the Company as at September 30, 2020 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Estimated impact related to the change of terms of convertible redeemable preferred shares upon Listing ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽⁴⁾⁽⁵⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on an Offer Price of						
HK\$105.00 per Share	(149,595,066)	31,534,718	175,237,831	57,177,483	13.92	16.64
Based on an Offer Price of						
HK\$115.00 per Share	(149,595,066)	34,543,063	175,237,831	60,185,828	14.65	17.52

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible liabilities attributable to the equity holders of the Company as of September 30, 2020 is extracted from the Accountant's Report as set out in Appendix I, which is based on the audited consolidated net liabilities attributable to the equity holders of the Company as of September 30, 2020 of approximately RMB148,341,372,000 with an adjustment for the intangible assets as of September 30, 2020 of approximately RMB1,253,694,000.
- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Prices of HK\$105.00 and HK\$115.00 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately RMB23,136,793 listing expenses which have been charged to our consolidated income statements for the nine months ended September 30, 2020), and does not take into account any Class B shares that may be issued pursuant to the exercise of the Over-allotment Option, any Shares that may be issued pursuant to the Post-IPO Share Option Scheme and Post-IPO RSU Scheme or any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors.
- (3) Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into Class B Shares. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company will be increased by RMB175,237,831,000, being the carrying amounts of the Preferred Shares as of September 30, 2020.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 4,108,194,737 Shares were in issue (including 363,146,799 Class B Shares to be issued pursuant to the exercised options under the Pre-IPO ESOP, 766,237,001 Class A Shares convertible from the ordinary shares held by Reach Best Developments Limited and Ke Yong Limited, 164,435,258 Class B Shares convertible from the ordinary shares held by shareholders other than Reach Best Developments Limited and Ke Yong Limited and 2,449,157,079 Class B Shares convertible from the Preferred Shares) assuming that the Global Offering has been completed on September 30, 2020 but does not take into account any Class B shares that may be issued pursuant to the exercise of the Over-allotment Option, any Shares that may be issued pursuant to the Post-IPO Share Option Scheme and Post-IPO RSU Scheme or any Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.1957. 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.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to September 30, 2020, including the acquisition of a company engaging in online payment services in the PRC (the "Target") as set out in Note 38 to the Accountant's Report in Appendix I to this prospectus. While the Company is still in the process of assessing the fair value of the identifiable assets and liabilities of the Target as of the completion date, it is expected that the unaudited pro forma adjusted consolidated net tangible assets per Share would decrease taking into account this subsequent acquisition as the Target holds significant intangible assets.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE 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 Kuaishou Technology

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kuaishou Technology (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 September 30, 2020, 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 January 26, 2021, in connection with the proposed initial public 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 initial public offering on the Group’s financial position as of September 30, 2020 as if the proposed initial public offering had taken place at September 30, 2020. 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 nine months ended September 30, 2020, 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**”).

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 initial public offering at September 30, 2020 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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, January 26, 2021

A. BASES

The Directors have prepared the estimate of the consolidated operating loss and the estimate of the consolidated loss attributable to the equity holders of the Company for the year ended December 31, 2020 based on the audited consolidated results of the Group for the nine months ended September 30, 2020, the unaudited consolidated results of the Group for the two months ended November 30, 2020 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2020.

The estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in the Accountant's Report, the text of which is set forth in Appendix I to this prospectus.

B. LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

On the basis set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, we estimate that our unaudited consolidated operating loss and our unaudited consolidated loss attributable to the equity holders of our Company are as follows:

Estimated consolidated operating loss for the year ended December 31, 2020	Not more than RMB10.4 billion (equivalent to approximately HK\$12.4 billion)
Estimated consolidated loss attributable to the equity holders of our Company for the year ended December 31, 2020	Not more than RMB116.7 billion (equivalent to approximately HK\$139.5 billion)

C. LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

The Board of Directors
Kuaishou Technology

Morgan Stanley Asia Limited
Merrill Lynch Far East Limited
China Renaissance Securities (Hong Kong) Limited

January 26, 2021

Dear Sirs,

Kuaishou Technology (the “**Company**”)

Loss Estimate for Year Ended December 31, 2020

We refer to the estimate of the consolidated operating loss and the estimate of the consolidated loss attributable to equity holders of the Company for the year ended December 31, 2020 (the “**Loss Estimate**”) set forth in “Appendix III — Loss Estimate for the year ended December 31, 2020” in the prospectus of the Company dated January 26, 2021 (the “**Prospectus**”).

Directors’ Responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended September 30, 2020, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2020 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2020.

The Company’s directors are solely responsible for the Loss Estimate.

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 Hong Kong Institute of Certified Public Accountants (“**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 on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant's report dated January 26, 2021, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

D. LETTER FROM THE JOINT SPONSORS ON LOSS ESTIMATE

The following is the text of a letter prepared for inclusion in this prospectus by the Joint Sponsors in connection with the estimate of the consolidated operating loss and the estimate of consolidated loss attributable to equity holders of the Company for the year ended December 31, 2020.

January 26, 2021

The Directors
Kuaishou Technology
PO Box 309, Uglan House
Grand Cayman, KY1-1104
Cayman Islands

Dear Sirs,

We refer to the estimate of the consolidated operating loss and the estimate of the consolidated loss attributable to the equity holders of Kuaishou Technology (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, hereinafter collectively referred to as the “**Group**”) for the year ended December 31, 2020 (the “**Loss Estimate**”) as set out in this document issued by the Company dated January 26, 2021 (the “**Document**”).

The Loss Estimate, for which you as the Directors of the Company (the “**Directors**”) are solely responsible, has been prepared based on the audited consolidated results of the Group for the nine months ended September 30, 2020, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2020 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2020.

We have discussed with you the bases made by the Directors as set out in Appendix III to this document upon which the Loss Estimate has been made. We have also considered the letter dated January 26, 2021 addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Loss Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Morgan Stanley Asia Limited
Julia Xiao
Executive Director

Yours faithfully,
For and on behalf of
Merrill Lynch Far East Limited
Yvonne Lo
Managing Director

Yours faithfully,
For and on behalf of
China Renaissance Securities
(Hong Kong) Limited
Dennis Leung
Managing Director

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

1. Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on January 18, 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 available for inspection at the address specified in Appendix VI in the section headed “Documents available for inspection”.

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on January 18, 2021 and include provisions to the following effect:

2.1 *Classes of Shares*

(a) *Share capital*

The share capital of the Company consists of Class A Shares and Class B Shares. The capital of the Company at the date of adoption of the Articles is US\$50,000 divided into 766,237,001 Class A Shares of US\$0.0000053 each and 8,667,725,263 Class B Shares of US\$0.0000053 each.

(b) *Weighted voting rights*

Subject to the provisions of the Articles of Association, the holders of Class A Shares and Class B Shares shall at all times vote together as one class on all resolutions submitted to a vote by the members. On a poll, each Class A Share shall entitle its holder to ten votes and each Class B Share shall entitle its holder to one vote, provided that each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on the following matters:

- (i) any amendment to the Memorandum of Association or the Articles of Association, 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 auditors; or
- (iv) the voluntary liquidation or winding-up of the Company.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

Notwithstanding the foregoing, where a holder of Class A Shares is permitted by the Stock Exchange from time to time to exercise more than one vote per share when voting on a resolution to amend the Memorandum of Association or the Articles of Association, any holder of Class A Shares may elect to exercise such number of votes per share as is permitted by the Stock Exchange, up to the maximum number of votes attached to each Class A Share as set out in the Articles of Association.

The Company shall not take any action (including the issue or repurchase of shares of any class) that would result in (i) the aggregate number of votes entitled to be cast by all holders of Class B Shares (for the avoidance of doubt excluding those who are also holders of Class A Shares) present at a general meeting to be less than 10% of the votes entitled to be cast by all members at a general meeting; or (ii) an increase in the proportion of Class A Shares to the total number of shares in issue.

(c) Restrictions on issue of Shares with weighted voting rights

No further Class A Shares shall be issued by the Company, except with the approval of the Stock Exchange and pursuant to (i) an offer to subscribe for shares in the Company made to all the members of the Company pro rata (apart from fractional entitlements) to their existing holdings; (ii) a pro rata issue of shares to all the members of the Company by way of scrip dividends; or (iii) a share subdivision or other similar capital reorganisation, provided that each member of the Company shall be entitled to subscribe for or be issued shares in the same class as the shares then held by him, and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class A Shares in issue, so that:

- (i) if, under a pro rata offer, any holder of Class A Shares does not take up any part of the Class A Shares or the rights thereto offered to him, such untaken shares or rights shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class B Shares; and
- (ii) to the extent that rights to Class B Shares in a pro rata offer are not taken up in their entirety, the number of Class A Shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately.

(d) Reduction of Shares with weighted voting rights on repurchase of Shares

In the event the Company reduces the number of Class B Shares in issue through a purchase of its own shares, the holders of Class A Shares shall reduce their voting rights in the Company proportionately, whether through a conversion of a portion of their Class A Shares or otherwise, if the reduction in the number of Class B Shares in issue would otherwise result in an increase in the proportion of Class A Shares to the total number of shares in issue.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN COMPANIES ACT**

(e) Prohibition on variation of terms of shares with weighted voting rights

The Company shall not vary the rights of the Class A Shares so as to increase the number of votes to which each Class A Share is entitled.

(f) Conversion of Class A Shares

Each Class A Share is convertible into one Class B Share at any time by the holder thereof, such right to be exercisable by the holder of the Class A Share delivering a written notice to the Company that such holder elects to convert a specified number of Class A Shares into Class B Shares.

(g) Qualification of holders of shares with weighted voting rights

Class A Shares shall only be held by a Director or a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director. Subject to the Listing Rules or other applicable laws and regulations, each Class A Share shall be automatically converted into one Class B Share upon the occurrence of any of the following events:

- (i) the death of the holder of such Class A Share (or where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the death of that Director);
- (ii) the holder of such Class A Share ceasing to be a Director or a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director for any reason;
- (iii) the holder of such Class A Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the Director owning and controlling such vehicle) being deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a Director;
- (iv) the holder of such Class A Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the Director owning and controlling such vehicle) being deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; or
- (v) the transfer to another person of the beneficial ownership of, or economic interest in, such Class A Share or the control over the voting rights attached to such Class A Share (through voting proxies or otherwise), other than (A) the grant of any encumbrance, lien or mortgage over such share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such share, until the same is

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

transferred upon the enforcement of such encumbrance, lien or mortgage, and (B) a transfer of the legal title to such share by a Director to a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by him, or by a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director to such Director or another limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by him.

(h) Cessation of weighted voting rights

All of the Class A Shares in the authorised share capital shall be automatically re-designated into Class B Shares in the event all of the Class A Shares in issue are converted into Class B Shares, and no further Class A Shares shall be issued by the Company.

(i) Shares to rank pari passu

Save and except for the rights, preferences, privileges and restrictions set out in this paragraph 2.1, the Class A Shares and the Class B Shares shall rank pari passu in all other respects and shall have the same rights, preferences, privileges and restrictions.

2.2 Directors

(a) Number of Directors

The number of Directors shall not be less than two, and the Board of Directors shall consist of not less than one-third and less than one-half of independent non-executive Directors.

(b) Power to allot and issue Shares

Subject to the provisions of the Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Act

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and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(c) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(d) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(e) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(f) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

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(g) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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- (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(h) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other

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benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(i) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may also by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

A Director need not hold any qualification shares. No Director shall be required to vacate office or be ineligible for re-election or re-appointment as a Director and no person shall be ineligible for appointment as a Director by reason only of his having attained any particular age.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

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- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association; or
- (vi) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(j) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(k) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. A quorum for a duly constituted meeting of the Directors shall have no less than two Directors, one of which shall be the chairman of the Board of Directors of the Company or his alternate Director (except where the chairman of the Board is not to be counted in the quorum). Questions arising at any meeting shall be determined 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.

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2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the 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 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 not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares present in person or by proxy and voting at such meeting. For so long as any Class A Share is in issue and unless such change is otherwise required by law or the Listing Rules, (a) any change to the composition of the Board of Directors set out in paragraph 2.2(a) above; (b) any change in the proportion of votes required to pass a resolution of the members, whether as an ordinary resolution or a special resolution or in respect of particular matters or generally; (c) any variation to the number of votes attached to a share of any class, except any such variation arising from a conversion of a Class A Share into a Class B Share pursuant to a voluntary conversion described in paragraph 2.1(f) above or the operation of the provisions described in paragraph 2.1(f) above; and (d) any change to the matters in respect of which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting as summarised in paragraph 2.1(b) above, to the quorum requirements for meetings of Directors as summarised in paragraph 2.2(k) above or to this provision, shall require the consent in writing of the holders of not less than three-fourths in nominal or par value of the issued Class A Shares. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

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2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) 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 diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Act; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Act.

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2.6 Special resolution — majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives 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 and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to paragraph 2.1(b) above and any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member 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 member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

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A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The Board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, 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. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition

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proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Act or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

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 removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company

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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.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, the Company shall endeavour to

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cause a notice of such postponement to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

- (a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company. If any new business will be transacted at such reconvened meeting, the meeting notice for such reconvened meeting shall comply with the notice requirement in respect of an annual general meeting or an extraordinary general meeting (as applicable).

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the 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;

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- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the SFC. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

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2.15 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

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Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to

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exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

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If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may

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from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company holding not less than one-third of the total voting power of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid

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up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

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SUMMARY OF CAYMAN ISLANDS COMPANIES ACT AND TAXATION

3. 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.

4. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 February 2014 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 authorised share capital.

5. 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 cancellation 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;

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- (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 authorised 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 authorised 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 authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised 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.

6. 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

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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 5 above for details).

7. 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.

8. 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.

9. 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.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANIES ACT

10. 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.

11. 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.

12. 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.

13. 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 authorised by the articles of association of the company.

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14. 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.

15. 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 authorised by (a) a special resolution of each constituent company and (b) such other authorisation, 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.

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16. 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.

17. 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.

18. 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).

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19. 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, rateably 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.

20. 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.

21. Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) 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 (2018 Revision).

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.

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22. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

23. General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Companies Act. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Companies Act 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.

1. FURTHER INFORMATION ABOUT OUR GROUP

1.1 Incorporation of our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on February 11, 2014. We have established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, and registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 24, 2020 under the same address. Ms. So Ka Man has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for service of process is Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in the section headed “Summary of the Constitution of our Company and Cayman Companies Act” in Appendix IV to this prospectus.

1.2 Changes in the share capital of our Company

Our Company was incorporated with an authorized share capital of US\$50,000 divided into 100,000,000 Ordinary Shares with a par value of US\$0.0005 each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this prospectus:

- (a) On February 11, 2020, the Company completed issuance of an aggregate of 104,576,622 Series F-1 Preferred Shares of par value of US\$0.0000053 to the following shareholders:

<u>Shareholders</u>	<u>Number of Series F-1 Preferred Shares Issued</u>
Tencent Mobility Limited	77,655,907
Parallel Nebula Investment Limited.	26,920,715
Sub Total	104,576,622

- (b) On February 11, 2020, the Company completed issuance of an aggregate of 350,723,877 Series F-2 Preferred Shares and the redesignation of 3,438,466 Ordinary Shares as Series F-2 Preferred Shares, of par value of US\$0.0000053 to the following shareholders:

Shareholders	Number of Series F-2 Preferred Shares Issued
Tencent Mobility Limited	108,516,052
Parallel Nebula Investment Limited.	38,504,048 ⁽¹⁾
Morespark Limited	2,553,316 ⁽²⁾
Superior Leap Limited.	77,451,523
Concept Thrive Limited.	36,533,737
Merit New Limited	36,533,737
Dahlia Investments Pte. Ltd.	29,226,990
Lupin TM 2 Co. Ltd.	13,152,145
MIC Capital Management 20 RSC Ltd	10,960,121
Library Group Volume I	435,534
Wen Yuan Ltd.	295,140
Sub Total	<u>354,162,343</u>

Notes:

1. 885,150 of the 38,504,048 Series F-2 Preferred Shares were redesignated from Ordinary Shares. Fortune One and Jovial Star transferred 442,575 ordinary Shares to Parallel Nebula Investment Limited, respectively. These Ordinary Shares were redesignated as Series F-2 Preferred Shares after the transfer.
2. These 2,553,316 Series F-2 Preferred Shares were redesignated from Ordinary Shares. Fortune One and Jovial Star transferred 1,276,658 Ordinary Shares to Morespark Limited, respectively. These Ordinary Shares were redesignated as Series F-2 Preferred Shares after the transfer.

Save as disclosed above, there has been no alteration in the authorized or issued share capital of our Company during the two years immediately preceding the date of this prospectus.

1.3 Changes in the share capital of our major subsidiaries and operating entities

A summary of the corporate information and the particulars of our subsidiaries are set out in note 12 to the Accountant's Report as set out in Appendix I to this prospectus.

The following sets out the changes in the share capital of our major subsidiaries and operating entities that made a material contribution to our results of operations during the two years immediately preceding the date of this prospectus. For details of our major subsidiaries and operating entities, please refer to the section headed “History and Corporate Structure — Our Major Subsidiaries and Operating Entities”.

Beijing Dajia

On July 14, 2020, the registered capital of Beijing Dajia was increased from US\$1,401,921,215 to US\$2,000,000,000.

Chengdu Kuaigou

On December 16, 2019, the registered capital of Chengdu Kuaigou was increased from RMB20,000,000 to RMB50,000,000.

Save as disclosed above, there has been no alteration in the authorised or issued share capital of any of the major subsidiaries or operating entities of our Company within the two years immediately preceding the date of this prospectus.

1.4 Resolutions passed in the meeting of our Shareholders dated January 18, 2021

Resolutions were passed in the meeting of our Shareholders on January 18, 2021, pursuant to which, among other things:

- (i) the Memorandum and the Articles of Association were approved and adopted with effect from the Listing Date;
- (ii) conditional on: (a) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (b) the Offer Price being duly determined among our Company and the Joint Representatives (for themselves and on behalf of the Underwriters); and (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the dates as may be specified in the Underwriting Agreements:
 - (a) (i) all issued Ordinary Shares held by Reach Best and Ke Yong be re-designated and re-classified as Class A Shares of par value US\$0.0000053 each, each having the rights and restrictions as set out in the Memorandum and the Articles; (ii) all

issued and unissued Ordinary Shares other than those set out in (i) above and all issued and unissued Preferred Shares be re-designated and re-classified as Class B Shares of par value US\$0.0000053 each; and (iii) the 363,146,799 Shares which will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing be designated and classified as Class B Shares of par value US\$0.0000053 each; such that the authorized share capital of the Company shall be US\$50,000.00 divided into 766,237,001 Class A Shares of US\$0.0000053 par value each and 8,667,725,263 Class B Shares of US\$0.0000053 par value each and the issued share capital of the Company shall be US\$21,773.43 divided into 766,237,001 Class A Shares of US\$0.0000053 par value each and 3,341,957,736 Class B Shares of US\$0.0000053 par value each, in each case to be effective on the Listing Date;

- (b) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorized to determine the Offer Price for, and to allot and issue the Offer Shares;
- (c) the rules of the Post-IPO Share Option Scheme were approved and adopted and the Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares under the Post-IPO Share Option Scheme and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Post-IPO Share Option Scheme;
- (d) a general unconditional mandate was given to our Directors, exercisable on their behalf by Su Hua, to exercise all powers of our Company to allot, issue and deal with Class B Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Class B Shares) which might require Class B Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Class B Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted under the allotment and issue of Class B Shares in lieu of the whole or part of a dividend on Class B Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Class B Shares to be issued pursuant to the exercise of the

Over-allotment Option, options which have been granted under the Pre-IPO ESOP, and Class B Shares to be issued upon conversion of Class A Shares into Class B Shares on a one to one basis;

- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors, exercisable on their behalf by Su Hua, to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering, excluding any Class B Shares to be sold, or issued and allotted pursuant to (i) the exercise of the Over-allotment Option; (ii) exercise of options and vesting of RSUs granted under the Pre-IPO ESOP; (iii) the exercise of share options which may be granted under the Post-IPO Share Option Scheme; (iv) awards granted under the Post-IPO RSU Scheme, and Class B Shares to be issued upon conversion of Class A Shares into Class B Shares on a one to one basis; and
- (f) the Repurchase Mandate was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Class B Shares to be sold, or issued and allotted pursuant to (i) the exercise of the Over-allotment Option; (ii) the exercise of options and vesting of RSUs granted under the Pre-IPO ESOP; (iii) the exercise of share options which may be granted under the Post-IPO Share Option Scheme; (iv) awards granted under the Post-IPO RSU Scheme, and Class B Shares to be issued upon conversion of Class A Shares and Class B Shares on a one to one basis.

Each of the general mandates referred to in sub-paragraphs (d), (e), and (f) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; and

- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

1.5 Repurchase of our own securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on January 18, 2021, the Repurchase Mandate was given to our Directors authorising them to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Class B Shares to be sold, or issued and allotted pursuant to (i) the exercise of the Over-allotment Option; (ii) the exercise of options and vesting of RSUs granted under the Pre-IPO ESOP; (iii) the exercise of share options which may be granted under the Post-IPO Share Option Scheme; (iv) awards which may be granted under the Post-IPO RSU Scheme, and Class B Shares to be issued upon conversion of Class A Shares and Class B Shares on a one to one basis), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable Laws of Hong Kong and the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any repurchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act.

Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

Status of repurchased Shares

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the Directors of the Company resolve to hold the shares repurchased by the Company as treasury shares, shares repurchased by the

Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell their securities to the company.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for the Company.

General

The exercise in full of the Repurchase Mandate, on the basis of 4,108,194,737 Shares in issue immediately following the completion of the Global Offering (assuming that (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme) could accordingly result in up to approximately 415,859,473 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; and
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken not to do so, if the Repurchase Mandate is exercised.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1 Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company, our subsidiaries or Consolidated Affiliated Entities within the two years preceding the date of this prospectus and are or may be material as well as contracts required to be disclosed pursuant to the Stock Exchange's Listing Decision HKEX-LD43-3:

- (1) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Hangzhou Youqu, pursuant to which Hangzhou Youqu agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (2) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Su Hua (宿華), Peng Xiaochun (彭小春), Hangzhou Youqu and WFOE, pursuant to which Su Hua, Peng Xiaochun and Hangzhou Youqu agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Hangzhou Youqu held by Su Hua and Peng Xiaochun and the assets of Hangzhou Youqu for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (3) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Su Hua (宿華), Hangzhou Youqu and WFOE, pursuant to which Su Hua agreed to pledge all of his equity interests in Hangzhou Youqu to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (4) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Peng Xiaochun (彭小春), Hangzhou Youqu and WFOE, pursuant to which Peng Xiaochun agreed to pledge all of her equity interests in Hangzhou Youqu to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;

- (5) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Su Hua (宿華), Peng Xiaochun (彭小春), Hangzhou Youqu and WFOE, pursuant to which Su Hua and Peng Xiaochun agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Hangzhou Youqu;
- (6) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Huayi Huilong, pursuant to which Huayi Huilong agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (7) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Yang Yuanxi (楊遠熙), Peng Xiaochun (彭小春), Huayi Huilong and WFOE, pursuant to which Yang Yuanxi, Peng Xiaochun and Huayi Huilong agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Huayi Huilong held by Yang Yuanxi and Peng Xiaochun and the assets of Huayi Huilong for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (8) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Yang Yuanxi (楊遠熙), Huayi Huilong and WFOE, pursuant to which Yang Yuanxi agreed to pledge all of his equity interests in Huayi Huilong to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (9) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Peng Xiaochun (彭小春), Huayi Huilong and WFOE, pursuant to which Peng Xiaochun agreed to pledge all of her equity interests in Huayi Huilong to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;

- (10) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Yang Yuanxi (楊遠熙), Peng Xiaochun (彭小春), Huayi Huilong and WFOE, pursuant to which Yang Yuanxi and Peng Xiaochun agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Huayi Huilong;
- (11) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated January 5, 2021 and entered into between WFOE and Beijing One Smile, pursuant to which Beijing One Smile agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (12) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated January 5, 2021 and entered into among Su Hua (宿華), Cheng Yixiao (程一笑), Yin Xin (銀鑫), Yang Yuanxi (楊遠熙), Zhang Fei (張斐), Hu Changjuan (胡長涓), Beijing One Smile and WFOE, pursuant to which Su Hua, Cheng Yixiao, Yin Xin, Yang Yuanxi, Zhang Fei, Hu Changjuan and Beijing One Smile agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Beijing One Smile held by them and the assets of Beijing One Smile for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (13) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated January 5, 2021 and entered into among Su Hua (宿華), Beijing One Smile and WFOE, pursuant to which Su Hua agreed to pledge all of his equity interests in Beijing One Smile to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (14) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated January 5, 2021 and entered into among Cheng Yixiao (程一笑), Beijing One Smile and WFOE, pursuant to which Cheng Yixiao agreed to pledge all of his equity interests in Beijing One Smile to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;

- (15) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated January 5, 2021 and entered into among Yin Xin (銀鑫), Beijing One Smile and WFOE, pursuant to which Yin Xin agreed to pledge all of his equity interests in Beijing One Smile to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (16) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated January 5, 2021 and entered into among Yang Yuanxi (楊遠熙), Beijing One Smile and WFOE, pursuant to which Yang Yuanxi agreed to pledge all of his equity interests in Beijing One Smile to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (17) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated January 5, 2021 and entered into among Zhang Fei (張斐), Beijing One Smile and WFOE, pursuant to which Zhang Fei agreed to pledge all of his equity interests in Beijing One Smile to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (18) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated January 5, 2021 and entered into among Hu Changjuan (胡長涓), Beijing One Smile and WFOE, pursuant to which Hu Changjuan agreed to pledge all of her equity interests in Beijing One Smile to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (19) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated January 5, 2021 and entered into among Su Hua (宿華), Cheng Yixiao (程一笑), Yin Xin (銀鑫), Yang Yuanxi (楊遠熙), Zhang Fei (張斐), Hu Changjuan (胡長涓), Beijing One Smile and WFOE, pursuant to which Su Hua, Cheng Yixiao, Yin Xin, Yang Yuanxi, Zhang Fei and Hu Changjuan agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Beijing One Smile;

- (20) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Beijing Mufei, pursuant to which Beijing Mufei agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (21) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Zhang Xiaodong (張曉東), Beijing Mufei and WFOE, pursuant to which Zhang Xiaodong and Beijing Mufei agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Beijing Mufei held by Zhang Xiaodong and the assets of Beijing Mufei for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (22) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Zhang Xiaodong (張曉東), Beijing Mufei and WFOE, pursuant to which Zhang Xiaodong agreed to pledge all of his equity interests in Beijing Mufei to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (23) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Zhang Xiaodong (張曉東), Beijing Mufei and WFOE, pursuant to which Zhang Xiaodong agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all his voting rights as the shareholder of Beijing Mufei;
- (24) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Beijing Jiawen, pursuant to which Beijing Jiawen agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (25) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Li Wendi (李文迪), Beijing Jiawen and WFOE, pursuant to which Li Wendi and Beijing Jiawen agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Beijing Jiawen held by Li Wendi and the assets of Beijing Jiawen for a consideration of RMB1 or the lowest price as permitted by the PRC laws;

- (26) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Li Wendi (李文迪), Beijing Jiawen and WFOE, pursuant to which Li Wendi agreed to pledge all of his equity interests in Beijing Jiawen to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (27) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Li Wendi (李文迪), Beijing Jiawen and WFOE, pursuant to which Li Wendi agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all his voting rights as the shareholder of Beijing Jiawen;
- (28) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Beijing Hanyu, pursuant to which Beijing Hanyu agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (29) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Lu Yuan (盧苑), Tao Shengru (陶勝茹), Beijing Hanyu and WFOE, pursuant to which Lu Yuan, Tao Shengru and Beijing Hanyu agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Beijing Hanyu held by Lu Yuan and Tao Shengru and the assets of Beijing Hanyu for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (30) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Lu Yuan (盧苑), Beijing Hanyu and WFOE, pursuant to which Lu Yuan agreed to pledge all of her equity interests in Beijing Hanyu to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (31) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Tao Shengru (陶勝茹), Beijing Hanyu and WFOE, pursuant to which Tao Shengru agreed to pledge all of her equity interests in Beijing Hanyu to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;

- (32) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Lu Yuan (盧苑), Tao Shengru (陶勝茹), Beijing Hanyu and WFOE, pursuant to which Lu Yuan and Tao Shengru agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Beijing Hanyu;
- (33) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Beijing Murong, pursuant to which Beijing Murong agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (34) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Chen Qu (陳曲), Beijing Murong and WFOE, pursuant to which Chen Qu and Beijing Murong agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Beijing Murong held by Chen Qu and the assets of Beijing Murong for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (35) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Chen Qu (陳曲), Beijing Murong and WFOE, pursuant to which Chen Qu agreed to pledge all of his equity interests in Beijing Murong to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (36) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Chen Qu (陳曲), Beijing Murong and WFOE, pursuant to which Chen Qu agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all his voting rights as the shareholder of Beijing Murong;
- (37) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 14, 2020 and entered into between WFOE and Guizhou Fankuai, pursuant to which Guizhou Fankuai agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;

- (38) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 14, 2020 and entered into among Jia Hongyi (賈弘毅), Wang Lu (王璐), Guizhou Fankuai and WFOE, pursuant to which Jia Hongyi, Wang Lu and Guizhou Fankuai agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Guizhou Fankuai held by Jia Hongyi and Wang Lu and the assets of Guizhou Fankuai for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (39) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 14, 2020 and entered into among Jia Hongyi (賈弘毅), Guizhou Fankuai and WFOE, pursuant to which Jia Hongyi agreed to pledge all of his equity interests in Guizhou Fankuai to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (40) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 14, 2020 and entered into among Wang Lu (王璐), Guizhou Fankuai and WFOE, pursuant to which Wang Lu agreed to pledge all of her equity interests in Guizhou Fankuai to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (41) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 14, 2020 and entered into among Jia Hongyi (賈弘毅), Wang Lu (王璐), Guizhou Fankuai and WFOE, pursuant to which Jia Hongyi and Wang Lu agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Guizhou Fankuai;
- (42) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Beijing Zhongbo Keyuan, pursuant to which Beijing Zhongbo Keyuan agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;

- (43) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Lu Yuan (盧苑), Tao Shengru (陶勝茹), Beijing Zhongbo Keyuan and WFOE, pursuant to which Lu Yuan, Tao Shengru and Beijing Zhongbo Keyuan agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Beijing Zhongbo Keyuan held by Lu Yuan and Tao Shengru and the assets of Beijing Zhongbo Keyuan for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (44) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Lu Yuan (盧苑), Beijing Zhongbo Keyuan and WFOE, pursuant to which Lu Yuan agreed to pledge all of her equity interests in Beijing Zhongbo Keyuan to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (45) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Tao Shengru (陶勝茹), Beijing Zhongbo Keyuan and WFOE, pursuant to which Tao Shengru agreed to pledge all of her equity interests in Beijing Zhongbo Keyuan to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (46) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Lu Yuan (盧苑), Tao Shengru (陶勝茹), Beijing Zhongbo Keyuan and WFOE, pursuant to which Lu Yuan and Tao Shengru agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Beijing Zhongbo Keyuan;
- (47) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Sichuan Fuyuan Chun, pursuant to which Sichuan Fuyuan Chun agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;

- (48) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Tao Shengru (陶勝茹), Lu Yuan (盧苑), Sichuan Fuyuan Chun and WFOE, pursuant to which Tao Shengru, Lu Yuan and Sichuan Fuyuan Chun agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Sichuan Fuyuan Chun held by Tao Shengru and Lu Yuan and the assets of Sichuan Fuyuan Chun for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (49) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Tao Shengru (陶勝茹), Sichuan Fuyuan Chun and WFOE, pursuant to which Tao Shengru agreed to pledge all of her equity interests in Sichuan Fuyuan Chun to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (50) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Lu Yuan (盧苑), Sichuan Fuyuan Chun and WFOE, pursuant to which Lu Yuan agreed to pledge all of her equity interests in Sichuan Fuyuan Chun to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (51) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Tao Shengru (陶勝茹), Lu Yuan (盧苑), Sichuan Fuyuan Chun and WFOE, pursuant to which Tao Shengru and Lu Yuan agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Sichuan Fuyuan Chun;
- (52) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Huankuai Technology, pursuant to which Huankuai Technology agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;

- (53) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Lu Hao (陸浩), Huankuai Technology and WFOE, pursuant to which Lu Hao and Huankuai Technology agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Huankuai Technology held by Lu Hao and the assets of Huankuai Technology for a consideration of RMB1 or the lowest price as permitted by the PRC laws;
- (54) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Lu Hao (陸浩), Huankuai Technology and WFOE, pursuant to which Lu Hao agreed to pledge all of his equity interests in Huankuai Technology to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (55) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Lu Hao (陸浩), Huankuai Technology and WFOE, pursuant to which Lu Hao agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all his voting rights as the shareholder of Huankuai Technology;
- (56) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 14, 2020 and entered into between WFOE and Guizhou Fanxin Lingzhi, pursuant to which Guizhou Fanxin Lingzhi agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (57) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 14, 2020 and entered into among Jia Hongyi (賈弘毅), Peng Xiaochun (彭小春), Guizhou Fanxin Lingzhi and WFOE, pursuant to which Jia Hongyi, Peng Xiaochun and Guizhou Fanxin Lingzhi agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Guizhou Fanxin Lingzhi held by Jia Hongyi and Peng Xiaochun and the assets of Guizhou Fanxin Lingzhi for a consideration of RMB1 or the lowest price as permitted by the PRC laws;

- (58) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 14, 2020 and entered into among Jia Hongyi (賈弘毅), Guizhou Fanxin Lingzhi and WFOE, pursuant to which Jia Hongyi agreed to pledge all of his equity interests in Guizhou Fanxin Lingzhi to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (59) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 14, 2020 and entered into among Peng Xiaochun (彭小春), Guizhou Fanxin Lingzhi and WFOE, pursuant to which Peng Xiaochun agreed to pledge all of her equity interests in Guizhou Fanxin Lingzhi to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (60) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 14, 2020 and entered into among Jia Hongyi (賈弘毅), Peng Xiaochun (彭小春), Guizhou Fanxin Lingzhi and WFOE, pursuant to which Jia Hongyi and Peng Xiaochun agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Guizhou Fanxin Lingzhi;
- (61) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Huai'an Shuangxin, pursuant to which Huai'an Shuangxin agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (62) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Jiao Xiang (焦響), Wang Lvbing (王履冰), Huai'an Shuangxin and WFOE, pursuant to which Jiao Xiang, Wang Lvbing and Huai'an Shuangxin agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Huai'an Shuangxin held by Jiao Xiang and Wang Lvbing and the assets of Huai'an Shuangxin for a consideration of RMB1 or the lowest price as permitted by the PRC laws;

- (63) the equity pledge agreement (股權質押協議) dated November 11, 2020 and entered into among Jiao Xiang (焦響), Huai'an Shuangxin and WFOE, pursuant to which Jiao Xiang agreed to pledge all of his equity interests in Huai'an Shuangxin to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (64) the equity pledge agreement (股權質押協議) dated November 11, 2020 and entered into among Wang Lvbing (王履冰), Huai'an Shuangxin and WFOE, pursuant to which Wang Lvbing agreed to pledge all of her equity interests in Huai'an Shuangxin to WFOE as collateral security for securing the performance of her obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (65) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Jiao Xiang (焦響), Wang Lvbing (王履冰), Huai'an Shuangxin and WFOE, pursuant to which Jiao Xiang and Wang Lvbing agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Huai'an Shuangxin;
- (66) the amended and restated exclusive technical consultation and service agreement (經修訂和重述的獨家技術諮詢和服務協議) dated November 11, 2020 and entered into between WFOE and Beijing Qingque, pursuant to which Beijing Qingque agreed to engage WFOE as its exclusive technical service provider to provide technical consultation and other services in return for service fees;
- (67) the amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) dated November 11, 2020 and entered into among Jia Hongyi (賈弘毅), Yin Xin (銀鑫), Beijing Qingque and WFOE, pursuant to which Jia Hongyi, Yin Xin and Beijing Qingque agreed to grant WFOE an irrevocable and exclusive right to purchase or designate any person/entity to purchase all or any part of the equity interests in Beijing Qingque held by Jia Hongyi and Yin Xin and the assets of Beijing Qingque for a consideration of RMB1 or the lowest price as permitted by the PRC laws;

- (68) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Jia Hongyi (賈弘毅), Beijing Qingque and WFOE, pursuant to which Jia Hongyi agreed to pledge all of his equity interests in Beijing Qingque to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (69) the amended and restated equity pledge agreement (經修訂和重述的股權質押協議) dated November 11, 2020 and entered into among Yin Xin (銀鑫), Beijing Qingque and WFOE, pursuant to which Yin Xin agreed to pledge all of his equity interests in Beijing Qingque to WFOE as collateral security for securing the performance of his obligations under the Contractual Arrangements and for any of the secured indebtedness under the Contractual Arrangements;
- (70) the amended and restated shareholder voting rights proxy agreement (經修訂和重述的股東表決權委託協議) dated November 11, 2020 and entered into among Jia Hongyi (賈弘毅), Yin Xin (銀鑫), Beijing Qingque and WFOE, pursuant to which Jia Hongyi and Yin Xin agreed to, among other things, irrevocably authorize WFOE or WFOE's designated person(s) to exercise all their voting rights as the shareholders of Beijing Qingque;
- (71) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, Emerging Markets Growth Fund, Inc., Emerging Markets Equity Fund, Capital Group Emerging Markets Growth Fund (LUX), Capital Group Emerging Markets Restricted Equity Common Trust (US), Capital Group International All Countries EquityTrust US, Capital Group International Equity Fund Canada, Capital Group Emerging Markets Total Opportunities (LUX), Capital Group Emerging Markets Total Opportunities Fund (Canada), American Funds Developing World Growth and Income Fund, International Growth and Income Fund, Capital Group International Growth and Income Trust (US), EuroPacific Growth Fund, Capital Group EuroPacific Growth Trust (US), CRMC China Equity Account, New World Fund, Inc., Capital Group New World Fund (LUX), American Funds Insurance Series New World Fund, Capital Group Global Equity Fund (Canada), American Funds Insurance Series Global Growth Fund, American Funds Insurance Series International Fund, Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

- (72) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, Aranda Investments Pte. Ltd., Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (73) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, GIC Private Limited, Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (74) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, Invesco Advisers, Inc., Invesco Hong Kong Limited, Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (75) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, FIL Investment Management (Hong Kong) Limited (富達基金(香港)有限公司), Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (76) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, BlackRock Systematic China Absolute Return Master Fund Ltd., BlackRock International Fund of BlackRock Series, Inc., BlackRock International V.I. Fund of BlackRock Variable Series Funds, Inc., BlackRock Emerging Markets Fund, Inc., BlackRock Strategic Funds - BlackRock Global Equity Absolute Return Fund, BlackRock Strategic Funds - BlackRock Asia Pacific Absolute Return Fund, BlackRock Global Funds - Emerging Markets Fund, BlackRock Asia Special Situations Fund, BlackRock Global Funds - Asian Growth Leaders Fund, BlackRock Global Funds - China Fund, BlackRock Global Funds - China Flexible Equity Fund, BlackRock Global Funds - Asian Multi-Asset Income Fund, BlackRock Emerging Markets Fund, BlackRock Institutional Equity Funds - Emerging Markets, BlackRock Emerging Frontiers Master Fund Limited, BlackRock Funds I ICAV - BlackRock Emerging Markets ESG Screened Fund, BlackRock Funds I ICAV - BlackRock Advantage Asia ex Japan Equity Fund, International Multi-cap Equity Fund, Pan Asia Opportunities Master Fund Ltd., Asia Alpha Advantage Fund Ltd., APAC Alpha Advantage Custom Strategy,

Global Alpha Opportunities Master Fund Ltd, SAE Liquidity Fund LP, The 32 Capital Master Fund SPC Ltd, Bureau of Labor Funds - Labor Pension Fund, Bureau of Labor Funds - Labor Insurance Fund, National Pension Insurance Fund, Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;

- (77) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, CPP Investment Board PMI-2 Inc., Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (78) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, Sunny Festive Limited, Boyu Capital Opportunities Master Fund, Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (79) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, Morgan Stanley Asia Limited, Morgan Stanley Investment Management Inc., Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (80) the cornerstone investment agreement dated January 22, 2021 and entered into among the Company, Abu Dhabi Investment Authority, Morgan Stanley Asia Limited, Merrill Lynch Far East Limited, Merrill Lynch (Asia Pacific) Limited and China Renaissance Securities (Hong Kong) Limited, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus; and
- (81) the Hong Kong Underwriting Agreement.

2.2 Intellectual property rights of our Group

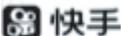
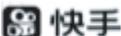
As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

2.2.1 Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class(es)	Place of Registration	Registration Number	Registration Date	Expiry Date
1		WFOE	9	PRC	14439349A	2015/7/7	2025/7/6
2		WFOE	9	PRC	14439349	2015/12/7	2025/12/6
3		WFOE	41	PRC	14439348	2015/11/14	2025/11/13
4		WFOE	42	PRC	14439347	2015/11/14	2025/11/13
5		WFOE	35	PRC	15942255A	2016/3/28	2026/3/27
6		WFOE	41	PRC	15942255A	2016/3/28	2026/3/27
7		WFOE	35	PRC	22291429	2018/1/28	2028/1/27
8		WFOE	38	PRC	22291460	2018/3/28	2028/3/27
9		WFOE	41	PRC	22291525	2018/4/7	2028/4/6
10		WFOE	9	PRC	14439352	2015/12/7	2025/12/6
11		WFOE	9	PRC	14439352A	2015/7/7	2025/7/6
12		WFOE	41	PRC	14439351	2015/11/14	2025/11/13
13		WFOE	42	PRC	14439350	2015/11/14	2025/11/13
14		WFOE	35	PRC	15942253A	2016/3/28	2026/3/27
15		WFOE	41	PRC	15942253A	2016/3/28	2026/3/27
16		WFOE	35	PRC	22291404	2018/1/28	2028/1/27
17		WFOE	38	PRC	22291463	2018/3/28	2028/3/27

No.	Trademark	Registered Owner	Class(es)	Place of Registration	Registration Number	Registration Date	Expiry Date
18		WFOE	41	PRC	22291516	2018/2/7	2028/2/6
19		WFOE	9	PRC	14439346	2015/6/7	2025/6/6
20		WFOE	35	PRC	15942252	2016/2/14	2026/2/13
21		WFOE	38	PRC	15942252	2016/2/14	2026/2/13
22		WFOE	41	PRC	15942252	2016/2/14	2026/2/13
23		WFOE	45	PRC	15942252	2016/2/14	2026/2/13
24		WFOE	41	PRC	14439345	2015/6/7	2025/6/6
25		WFOE	42	PRC	14439344	2015/6/7	2025/6/6
26	快手	WFOE	9	PRC	15942254	2016/5/7	2026/5/6
27	快手	WFOE	35	PRC	15942254	2016/5/7	2026/5/6
28	快手	WFOE	41	PRC	15942254	2016/5/7	2026/5/6
29	快手	WFOE	42	PRC	15942254	2016/5/7	2026/5/6
30	快手	WFOE	35	PRC	18459783	2018/2/14	2028/2/13
31	快手	WFOE	41	PRC	18459785	2019/1/21	2029/1/20
32	快手	WFOE	45	PRC	15487460	2016/1/21	2026/1/20
33	kwai	WFOE	9	PRC	22291336	2018/1/28	2028/1/27
34	kwai	WFOE	35	PRC	16970217	2016/7/21	2026/7/20
35	kwai	WFOE	38	PRC	17025997	2016/7/28	2026/7/27
36	kwai	WFOE	41	PRC	16970216	2016/7/21	2026/7/20
37	kwai	WFOE	42	PRC	16970215	2016/7/21	2026/7/20
38	kwai	WFOE	45	PRC	16970214	2016/7/21	2026/7/20

No.	Trademark	Registered Owner	Class(es)	Place of Registration	Registration Number	Registration Date	Expiry Date
39	快手	WFOE	35	PRC	23815860	2019/3/14	2029/3/13
40	快手	WFOE	38	PRC	23815741	2019/11/21	2029/11/20
41	快手	WFOE	41	PRC	23816356	2019/7/28	2029/7/27
42	快手	WFOE	45	PRC	23816375	2019/4/14	2029/4/13
43	<i>Kwai</i>	WFOE	35	PRC	23815378	2019/2/14	2029/2/13
44	<i>Kwai</i>	WFOE	38	PRC	23815917	2019/2/28	2029/2/27
45	<i>Kwai</i>	WFOE	41	PRC	23816250	2019/2/14	2029/2/13
46	<i>Kwai</i>	WFOE	42	PRC	23816466	2019/6/28	2029/6/27
47	<i>Kwai</i>	WFOE	45	PRC	23816678	2019/3/7	2029/3/6
48	 快手	WFOE	9	PRC	23815545	2019/7/14	2029/7/13
49	 快手	WFOE	35	PRC	23815518	2019/2/14	2029/2/13
50	 快手	WFOE	42	PRC	23816536	2019/12/14	2029/12/13
51	 快手	WFOE	45	PRC	23816398	2019/2/14	2029/2/13
52		WFOE	9	PRC	23815461	2018/4/28	2028/4/27
53		WFOE	35	PRC	23815821	2019/2/21	2029/2/20
54		WFOE	38	PRC	23816006	2019/3/7	2029/3/6
55		WFOE	41	PRC	23816317	2018/6/21	2028/6/20
56		WFOE	42	PRC	23816481	2019/6/21	2029/6/20
57		WFOE	45	PRC	23816698	2019/3/7	2029/3/6
58	 <i>Kwai</i>	WFOE	35	PRC	23815693	2019/2/14	2029/2/13
59	 <i>Kwai</i>	WFOE	38	PRC	23816046	2019/6/21	2029/6/20
60	 <i>Kwai</i>	WFOE	41	PRC	23816258	2019/3/7	2029/3/6

No.	Trademark	Registered Owner	Class(es)	Place of Registration	Registration Number	Registration Date	Expiry Date
61	 Kwai	WFOE	42	PRC	23816163	2019/2/28	2029/2/27
62	 Kwai	WFOE	45	PRC	23816335	2019/6/21	2029/6/20
63	Kwai	WFOE	36	PRC	27272190	2019/2/14	2029/2/13
64	快手	WFOE	38	PRC	27443509	2019/11/21	2029/11/20
65	快手	WFOE	36	PRC	29718783	2019/3/7	2029/3/6
66	快手	WFOE	42	PRC	29833603	2019/4/28	2029/4/27
67	快手	WFOE	35	PRC	29828050A	2019/4/21	2029/4/20
68	 快手	WFOE	9	PRC	41032689	2020/11/28	2030/11/27
69	 快手	WFOE	35	PRC	41013820	2020/11/7	2030/11/6
70	 快手	WFOE	42	PRC	41026802	2020/11/7	2030/11/6

2.2.2 Patents

As of the Latest Practicable Date, we had 1,178 patents registered with the State Intellectual Property Office of mainland China and 3,162 pending patent applications in mainland China. These registered patents include patents with respect to advanced artificial intellectual, big data analytics, audio and video, front-end functions, recommendation and search, telecommunication and hardware.

2.2.3 Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

(i) Software (軟件)

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
1	Software for Yitianmianliao (Android Version) (Android版一甜面聊軟件)	V1.0	PRC	2019SR0113519	2020/3/5
2	Software for Kuaishou E-commerce (iOS Version) (iOS版快手電商軟件)	V1.0	PRC	2019SR0897108	2019/8/29
3	Software for Kuaishou E-commerce (Android version) (Android版快手電商軟件)	V1.0	PRC	2019SR0894741	2019/8/28
4	Service Platform for Jinniu Merchant (金牛商家服務平台)	V1.0	PRC	2019SR0992115	2019/9/25
5	Software for Kaiyan Chuangyi (Android Version) (Android版開眼創意軟件)	V1.0	PRC	2020SR0051781	2020/1/10
6	Short Video Production and Subtitle Recognition Software for Kuaiying (快影視頻剪輯製作與字幕識別軟件)	V1.0.0	PRC	2016SR388823	2016/12/22
7	Video Production Software for Kuaishou (Android Version) (快手視頻製作Android版軟件)	V1.0.2	PRC	2016SR400410	2016/12/28
8	Video Production Software for Kuaishou (IOS Version) (快手視頻製作IOS版軟件)	V1.0.1	PRC	2016SR400421	2016/12/28
9	Geographical Roaming Software for Kuaishou (Android Version) (快手地理位置漫遊Android版軟件)	V1.3.1	PRC	2016SR400448	2016/12/28
10	Professional Photography Software for Kuaishou (Android Version) (快手專業拍攝安卓版軟件)	V1.4.0	PRC	2016SR400449	2016/12/28

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
11	Professional Photography Software for Kuaishou (IOS Version) (快手專業拍攝IOS版軟件)	V1.1.0	PRC	2016SR400451	2016/12/28
12	Video Software for Kuaishou (Android Version) (快手看視頻安卓版軟件)	V1.2.0	PRC	2016SR400463	2016/12/28
13	Video Software for Kuaishou (IOS Version) (快手看視頻IOS版軟件)	V1.4.4	PRC	2016SR404709	2016/12/29
14	Mobile Game Live Streaming Software for Kuaishou Live Streaming Partner (快手直播伴侶手遊直播軟件)	V1.0.0	PRC	2017SR067791	2017/3/6
15	Live Streaming Software for Kuaishou APP (iOS Version) (iOS版快手APP直播軟件)	V1.0.0	PRC	2017SR696925	2017/12/15
16	Video Browser Software for Kuaishou (Web Version) (Web版快手視頻瀏覽軟件)	V1.0.0	PRC	2017SR699108	2017/12/18
17	Video Browser Software for Kuaishou (Android Version) (Android版快手視頻瀏覽軟件)	V1.0.0	PRC	2017SR699185	2017/12/18
18	Live Streaming Software for Kuaishou APP (Android Version) (Android版快手APP直播軟件)	V1.0.0	PRC	2017SR701286	2017/12/18
19	Video Browser Software for Kuaishou (IOS Version) (IOS版快手視頻瀏覽軟件)	V1.0.0	PRC	2017SR711853	2017/12/21
20	Live Streaming Assistant Software for Kuaishou (iOS Version) (iOS版快手直播助手軟件)	V1.0.0	PRC	2017SR735595	2017/12/27
21	Magical Facial Expressions Software for Kuaishou (Android Version) (Android快手魔法表情軟件)	V1.0.0	PRC	2017SR736465	2017/12/27
22	Kuaishou Short Video APP Software (iOS Version) (快手短視頻APP軟件(iOS))	V5.9	PRC	2018SR850533	2018/10/24

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
23	Advertisement Management Platform for Kuaishou (快手廣告管理平台)	V1.0	PRC	2018SR837762	2018/10/19
24	Kuaijiedan Platform (快接單平台)	V2.0	PRC	2018SR839794	2018/10/22
25	Karaoke Software for Kuaishou (iOS Version) (iOS版快手K歌軟件)	V1.0	PRC	2018SR827634	2018/10/17
26	Karaoke Software for Kuaishou (Android Version) (Android版快手K歌軟件)	V1.0	PRC	2018SR827549	2018/10/17
27	Magical Facial Expressions Software for Kuaishou (iOS Version) (iOS快手魔法表情軟件)	V2.0	PRC	2018SR987160	2018/12/6
28	Magical Facial Expressions Software for Kuaishou (Android Version) (Android快手魔法表情軟件)	V2.0	PRC	2018SR991662	2018/12/7
29	City Hotspot Software for Kuaishou (Android Version) (Android版快手同城熱點軟件)	V1.0	PRC	2018SR903959	2018/11/13
30	City Hotspot Software for Kuaishou (IOS Version) (IOS版快手同城熱點軟件)	V1.0	PRC	2018SR904205	2018/11/13
31	Personal Message Facial Expression Software for Kuaishou (Android Version) (Android版快手私信表情軟件)	V1.0	PRC	2018SR904220	2018/11/13
32	Personal Message Facial Expression Software for Kuaishou (iOS Version) (iOS版快手私信表情軟件)	V1.0	PRC	2018SR904213	2018/11/13
33	Software for Dian Miao Live Streaming (Android Version) (Android版電喵直播軟件)	V1.0	PRC	2018SR1006963	2018/12/12
34	Co-hosting and PK Software for Kuaishou (Android Version) (Android版快手連麥PK軟件)	V1.0	PRC	2019SR0228478	2019/3/8

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
35	Co-hosting and PK Software for Kuaishou (iOS Version) (iOS版快手連麥PK軟件)	V1.0	PRC	2019SR0228219	2019/3/8
36	Software for Kuaishou Short Video APP (Android Version) (快手短視頻APP軟件(Android))	V5.8	PRC	2018SR997303	2018/12/11
37	Kuaishou Yinyuetai Software (IOS Version) (IOS版快手音悅台軟件)	V1.0	PRC	2019SR0665950	2019/6/27
38	Kuaishou Yinyuetai Software (Android Version) (Android版快手音悅台軟件)	V1.0	PRC	2019SR0644961	2019/6/21
39	Flash Video Software for Kuaishou (Android Version) (Android版快手快閃視頻軟件)	V1.0	PRC	2019SR0817388	2019/8/7
40	Flash Video Software for Kuaishou (iOS Version) (iOS版快手快閃視頻軟件)	V1.0	PRC	2019SR0817382	2019/8/7
41	AI Robot for Live Streaming Room Software (iOS Version) (iOS版直播間AI機器人軟件)	V1.0	PRC	2019SR0988542	2019/9/24
42	AI Robot for Live Streaming Room Software (Android Version) (Android版直播間AI機器人軟件)	V1.0	PRC	2019SR0984197	2019/9/23
43	Software for Kuaishou Tongcheng (Android Version) (Android版快手同城軟件)	V2.0	PRC	2019SR1410899	2019/12/23
44	Video Sharing Software for Kuaishou (Android Version) (Android版快手視頻分享軟件)	6.10.3	PRC	2019SR1441866	2019/12/27
45	Merchant Number System for Kuaishou (快手商家號系統)	V1.0	PRC	2019SR1454748	2019/12/30
46	Following Page Software for Kuaishou (Android Version) (Android版快手關注頁軟件)	V6.9.3	PRC	2020SR0083862	2020/1/16

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
47	Following Page Software for Kuaishou (IOS Version) (IOS版快手關注頁軟件)	V6.9.3	PRC	2020SR0084137	2020/1/16
48	Software for Activities in Main Venue for Kuaishou 2020 Chinese New Year Gala (快手2020年春晚活動主會場活動軟件)	V6.11.1	PRC	2020SR0291041	2020/3/26
49	Software for the Video of the Year of Kuaishou (Android Version) (Android版快手年度視頻軟件)	1.0	PRC	2020SR0276367	2020/3/19
50	Software for Shuimu Video (Android Version) (Android版水母視頻軟件)	V1.0	PRC	2019SR1117370	2019/11/5
51	IOS Client Software for AcFun Danmaku Video Website (AcFun彈幕視頻網IOS客戶端軟件)	V1.0	PRC	2017SR087203	2017/3/22
52	Android Client Software for AcFun Danmaku Video Website (AcFun彈幕視頻網安卓客戶端軟件)	V1.0	PRC	2017SR087027	2017/3/22
53	Platform for AcFun Video Danmaku Website (AcFun彈幕視頻網平台)	V1.0	PRC	2017SR087115	2017/3/22
54	Kuaishou Express Edition (IOS Version) Software (快手極速版IOS版軟件)	V1.0	PRC	2019SR0850679	2019/8/15
55	Photo Sharing Software for Kuaishou (Android Version) (快手拍攝分享Android版軟件)	V4.47.0	PRC	2017SR047204	2017/2/17
56	Photo Sharing Software for Kuaishou (IOS Version) (快手拍攝分享IOS版軟件)	V4.91.0	PRC	2017SR047044	2017/2/17
57	Photo Sharing Software for Kuaishou (快手拍攝分享軟件)	V4.44	PRC	2016SR169452	2016/7/6
58	Mini Game Software for Kuaishou (Android Version) (Android版快手小遊戲軟件)	V1.0.0	PRC	2017SR659280	2017/12/1

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
59	Software for Kuaishou Dianwan (Android Version) (Android版快手電丸軟件)	V1.0.0	PRC	2018SR331004	2018/5/11
60	Collaborative Office Software System Platform for Yiqixie (for iOS) (一起寫(ios)協作辦公軟件系統平台)	V2.0	PRC	2018SR879045	2018/11/2
61	Collaborative Office Software System Platform for Yiqixie (for Windows) (一起寫(Windows)協作辦公軟件系統平台)	V1.0	PRC	2018SR879020	2018/11/2
62	Collaborative Office Software System Platform for Yiqixie (for Android) (一起寫(安卓)協作辦公軟件系統平台)	V2.1	PRC	2018SR879040	2018/11/2
63	Collaborative Office Software System Platform for Yiqixie (for Server) (一起寫(服務器)協作辦公軟件系統平台)	V1.0	PRC	2018SR879026	2018/11/2
64	Collaborative Office Software System Platform for Yiqixie (for Back Office) (一起寫(後台)協作辦公軟件系統平台)	V1.1	PRC	2018SR879032	2018/11/2
65	Software for Kuaishou Kuaiying (Android) (Android 快手快影軟件)	V5.0	PRC	2020SR0657772	2020/6/19
66	Software for Kuaishou Kuaiying (iOS) (iOS 快手快影軟件)	V5.0	PRC	2020SR0693206	2020/6/29
67	Software for Before Community (Android Version) (Android版Before社區軟件)	V1.0	PRC	2020SR0743662	2020/7/8
68	Software for Before Community (iOS Version) (iOS版Before社區軟件)	V1.0	PRC	2020SR0743667	2020/7/8
69	Software for Before TV (Android Version) (Android版避風TV軟件)	V1.0	PRC	2020SR1501095	2020/9/16
70	Software for Before TV (iOS Version) (iOS版避風TV軟件)	V1.0	PRC	2020SR1501105	2020/9/16

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
71	Software for 66 Mini Game (Android Version) (Android版66小遊戲軟件)	V1.0	PRC	2019SR1004483	2019/9/27
72	Software for 66 Express Version (iOS Version) (iOS版66極速版軟件)	V1.0	PRC	2019SR1077866	2019/10/24
73	Software for Aiyou Dou Dizhu Game (Android Version) (Android版愛遊鬥地主遊戲軟件)	V3.9	PRC	2020SR0371514	2020/4/24
74	Animation Production Sharing Software for Gif Kuaishou (Gif快手動畫製作分享軟件)	V3.01	PRC	2012SR060049	2012/7/5
75	Software for Kuaikandian (Android Version) (Android版快看點軟件)	V1.0	PRC	2019SR0018916	2019/1/7
76	Software for Kuaikandian (iOS Version) (iOS版快看點軟件)	V1.0	PRC	2019SR0893993	2019/8/28
77	Software for Kuaishou Shop (for Merchants) (Android Version) (Android版快手小店商家版軟件)	V1.0	PRC	2020SR1501925	2020/9/18
78	Software for MV MASTER (Android Version) (Android版MV MASTER軟件)	V1.0	PRC	2019SR0236406	2019/3/11
79	Software for MV MASTER (iOS Version) (iOS版MV MASTER軟件)	V1.0	PRC	2019SR0296378	2019/4/1
80	LOLita Software (Android Version) (Android版LOLita軟件)	V1.0	PRC	2019SR1058195	2019/10/18
81	Software for Snack Video (Android Version) (Android版Snack Video軟件)	V1.0	PRC	2019SR0944872	2019/9/11
82	Software for Kwaipro (Android Version) (Kwaipro Android版軟件)	V1.0	PRC	2019SR1441859	2019/12/27
83	Android Client Software for AcFun Danmaku Video Website (AcFun彈幕視頻網安卓客戶端軟件)	2.3.2	PRC	2020SR0111927	2020/1/21

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
84	Kayak Software (Android Version) (Android版皮艇軟件)	V1.0	PRC	2020SR1500517	2020/9/15
85	Kayak Software (iOS Version) (iOS版皮艇軟件)	V1.0	PRC	2020SR1500518	2020/9/15
86	Billions Battlefield Mobile Game Software (億萬戰場手機遊戲軟件)	V1.0	PRC	2020SR1503911	2020/09/24
87	Software for Yitian Camera (iOS Version) (iOS版一甜相機軟件)	V3.0	PRC	2020SR1837517	2020/12/17
88	Software for Kuaishou Short Video (iOS Version) (iOS版快手短視頻 軟件)	V8.0	PRC	2020SR1530119	2020/10/29
89	Software for Kuaishou Short Video (Android Version) (Android版快手 短視頻軟件)	V8.0	PRC	2020SR1530120	2020/10/29
90	Software for Kuaishou Shop (for Merchants) (iOS Version) (iOS版快手小店商家版軟件)	V1.0	PRC	2020SR1837516	2020/12/17
91	Software for AcFun (iOS Version) (iOS版AcFun軟件)	V6.0.0	PRC	2020SR1861807	2020/12/21
92	Software for AcFun (Android Version) (Android版AcFun軟件)	V6.33	PRC	2020SR1859897	2020/12/18
93	Software for Kuaishou Dianwan (iOS Version) (iOS版快手電丸軟件)	V3.0	PRC	2020SR1872902	2020/12/22
94	Mini Game Software for Kuaishou (Android Version) (Android版快手 小遊戲軟件)	V3.0	PRC	2020SR1849945	2020/12/18
95	Software for Zynn (Android Version) (Android版Zynn軟件)	V1.0	PRC	2020SR1537916	2020/11/2
96	Software for Zynn (iOS Version) (iOS版Zynn軟件)	V1.0	PRC	2020SR1537876	2020/11/2
97	Kuaishou Express Edition (Android Version) (Android版快手 極速版軟件)	V3.0	PRC	2020SR1865612	2020/12/21

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
98	Software for Kuaikandian (iOS Version) (iOS版快看點軟件)	V3.0	PRC	2020SR1559112	2020/11/9
99	Software for Kuaikandian (Android Version) (Android版快看點軟件)	V2.0	PRC	2020SR1559114	2020/11/9
100	Kuaishou Concept Edition (iOS Version) (iOS版快手概念版軟件)	V2.0	PRC	2020SR1861834	2020/12/21
101	Software for Yixiang Shenyue Jing (異鄉神樂境軟件)	V1.0	PRC	2020SR1569212	2020/11/12
102	Open Platform for Kuaishou E-Commerce (快手電商開放平台)	V1.0	PRC	2020SR1621067	2020/11/23
103	Collaborative Software for Qingque (輕雀協作軟件)	V1.0	PRC	2020SR1642035	2020/11/25
104	Game Software for Business Street Story (Android Version) (Android版商業街物語遊戲軟件)	V1.0	PRC	2020SR1691771	2020/11/30
105	Open Platform for Kuaishou Special Effects (快手特效開放平台)	V1.0	PRC	2020SR1845742	2020/12/17
106	Kuaishou Concept Edition (Android Version) (Android版快手概念版軟件)	V2.0	PRC	2020SR1849874	2020/12/18
107	Magnetic Star Platform (磁力聚星平台)	V3.0	PRC	2020SR1856576	2020/12/18
108	Software for Kuaishou Live Streaming (iOS Version) (iOS版快手直播伴侶軟件)	V3.0	PRC	2020SR1888505	2020/12/24
109	Software for Kuaishou Live Streaming (Android Version) (Android版快手直播伴侶軟件)	V2.0	PRC	2020SR1888506	2020/12/24
110	Software for Kaiyan Kuaichuang (iOS Version) (iOS版開眼快創軟件)	V2.0	PRC	2020SR1897254	2020/12/25
111	Software for Kaiyan Kuaichuang (Android Version) (Android版開眼快創軟件)	V2.0	PRC	2020SR1897250	2020/12/25

(ii) Works (作品)

No.	Copyright	Place of Registration	Registration Number	Registration Date
1	Logo of Kuaishou (快手logo)	PRC	Guo Zuo Deng Zi -2018-F-00436976	2018/2/26
2	Logo of JOYO (JOYO logo)	PRC	Guo Zuo Deng Zi -2018-F-00436974	2018/2/26
3	Kuaishou Mini Game APP-logo (快手小遊戲APP-logo)	PRC	Guo Zuo Deng Zi -2018-F-00501375	2018/3/20
4	Logo of Advertisement Management Platform of Kuaishou (快手廣告管理平台logo)	PRC	Guo Zuo Deng Zi -2018-F-00648763	2018/8/22
5	Logo of Kuaishou Mini Game APP (快手小遊戲APP logo)	PRC	Guo Zuo Deng Zi -2018-F-00655113	2018/10/29
6	Icon of Kuaishou Dou Dizhu (快手鬥地主icon)	PRC	Guo Zuo Deng Zi -2018-F-00669641	2018/12/3
7	Logo of Kuaishou Dou Dizhu (快手鬥地主logo)	PRC	Guo Zuo Deng Zi -2018-F-00669640	2018/12/3
8	Animated Image — Shoujun Facial Expression Pack (動漫形象 — 手君表情包)	PRC	Guo Zuo Deng Zi -2018-F-00672390	2018/12/7
9	Icon of Kuaishou Mahjong (快手麻將icon)	PRC	Guo Zuo Deng Zi -2019-F-00730101	2019/2/25
10	Icon of Kuaishou Upgrade (快手升級icon)	PRC	Guo Zuo Deng Zi -2019-F-0073-0108	2019/2/25
11	Icon of Kuaishou Tiantian Buyu (快手天天捕魚icon)	PRC	Guo Zuo Deng Zi -2019-F-00730100	2019/2/25
12	Icon of Kuaishou Chess (快手象棋icon)	PRC	Guo Zuo Deng Zi -2019-F-00730102	2019/2/25
13	Icon of Kuaishou Billiard (快手台球icon)	PRC	Guo Zuo Deng Zi -2019-F-00730099	2019/2/25
14	Logo of Kuaishou Tiantian Buyu (快手天天捕魚logo)	PRC	Guo Zuo Deng Zi -2019-F-0073-0105	2019/2/25
15	Logo of Kuaishou Mahjong (快手麻將logo)	PRC	Guo Zuo Deng Zi -2019-F-00730106	2019/2/25

No.	Copyright	Place of Registration	Registration Number	Registration Date
16	Logo of Kuaishou Billiard (快手台球logo)	PRC	Guo Zuo Deng Zi -2019-F-00730104	2019/2/25
17	Logo of Kuaishou Chess (快手象棋logo)	PRC	Guo Zuo Deng Zi -2019-F-00730107	2019/2/25
18	Logo of Kuaishou Upgrade (快手升級logo)	PRC	Guo Zuo Deng Zi -2019-F-00730103	2019/2/25
19	Logo of Kuaishou (快手logo)	PRC	Guo Zuo Deng Zi -2019-F-00750257	2019/3/21
20	Kuaishou IP Image Xiaokui (快手 IP 形象小葵)	PRC	Guo Zuo Deng Zi -2019-F-00776261	2019/5/7
21	Logo of MV Master (MV Master LOGO)	PRC	Guo Zuo Deng Zi -2019-F-00787977	2019/5/23
22	Image Design of “Xiaokuai”, a Mascot of Kuaishou (快手吉祥物 “小快”形象設計)	PRC	Guo Zuo Deng Zi -2019-F-00785521	2019/5/21
23	Image Design of “Xiaoliu”, a Mascot of Kuaishou (快手吉祥物“小六”形 象設計)	PRC	Guo Zuo Deng Zi -2019-F-00785522	2019/5/21
24	Logo of Kuaiying (快影 logo)	PRC	Guo Zuo Deng Zi -2019-F-00801595	2019/6/4
25	Long Picture of 40 Xing Fu Chang Jie (幸福長街40號長圖)	PRC	Guo Zuo Deng Zi -2019-F-00811321	2019/6/19
26	Kuaishou Text + Logo (快手文字+logo)	PRC	Guo Zuo Deng Zi -2019-F-00814099	2019/6/24
27	Facial Expression Pack of “Xiaokuai” and “Xiaoliu”, Mascots of Kuaishou (快手吉祥物小快小六 合體表情包)	PRC	Guo Zuo Deng Zi -2019-F-00861502	2019/8/12
28	Logo of Aiyou Dou Dizhu (愛遊鬥地主logo)	PRC	Guo Zuo Deng Zi -2019-F-00856132	2019/8/6
29	Logo of Kuaikandian (快看點Logo)	PRC	Guo Zuo Deng Zi -2019-F-00856133	2019/8/6
30	HAPPY Giao	PRC	Guo Zuo Deng Zi -2020-B-01024184	2020/4/26

No.	Copyright	Place of Registration	Registration Number	Registration Date
31	Template Series of Kuaishan (快閃模板系列作品)	PRC	Guo Zuo Deng Zi -2019-I-00874220	2019/8/27
32	Kuaishou E-commerce Baodian (快手電商寶典)	PRC	Guo Zuo Deng Zi -2019-F-00877669	2019/9/3
33	Shan Dian Gou Xiao Huang Che (閃電購小黃車)	PRC	Guo Zuo Deng Zi -2019-F-00881047	2019/9/10
34	Icon of Fan Group (粉絲團圖標)	PRC	Guo Zuo Deng Zi -2019-F-00895011	2019/10/8
35	Collection of Xiaotian, a Mascot of Yitian Camera (一甜相機吉祥物 — 小甜集合版)	PRC	Guo Zuo Deng Zi -2019-F-00906302	2019/10/17
36	Character Version of Xiaotian, a Mascot of Yitian Camera (一甜相 機吉祥物 — 小甜人物版本)	PRC	Guo Zuo Deng Zi -2019-F-00906305	2019/10/17
37	Unicorn Version of Xiaotian, a Mascot of Yitian Camera (一甜相 機吉祥物 — 小甜獨角獸版本)	PRC	Guo Zuo Deng Zi -2019-F-00906304	2019/10/17
38	AC Niang Emoji Doll (AC娘表情玩偶)	PRC	Guo Zuo Deng Zi -2019-F-00932216	2019/11/12
39	Logo of Magnetic Engine (磁力引擎logo)	PRC	Guo Zuo Deng Zi -2019-F-00955109	2019/12/16
40	Xiaokui Facial Expression Pack (小葵表情包)	PRC	Guo Zuo Deng Zi -2020-F-00990181	2020/3/3
41	ac Series Small Theatre 4 (ac系列小劇場4)	PRC	Guo Zuo Deng Zi -2020-L-00984129	2020/2/11
42	ac Series Small Theatre 3 (ac系列小劇場3)	PRC	Guo Zuo Deng Zi -2019-L-00932215	2019/11/12
43	ac Series Small Theatre 2 (ac系列小劇場2)	PRC	Guo Zuo Deng Zi -2019-L-00909122	2019/10/23
44	ac Series Small Theatre (ac系列小劇場)	PRC	Guo Zuo Deng Zi -2019-F-00884687	2019/9/18
45	2019ac Niang Chinese New Year Facial Expression Pack (2019ac娘 春節表情包)	PRC	Guo Zuo Deng Zi -2019-I-00785523	2019/5/21

No.	Copyright	Place of Registration	Registration Number	Registration Date
46	Kuaishou Chinese New Year Activity Logo (CN) (快手春節活動logo(CN))	PRC	Guo Zuo Deng Zi -2020-F-01015868	2020/4/8
47	Ren Jian Yan Huo (《人間煙火》)	PRC	Guo Zuo Deng Zi -2020-B-00973337	2020/1/15
48	Logo of Kaiyan Chuangyi (開眼創意logo)	PRC	Guo Zuo Deng Zi -2020-F-01020075	2020/4/16
49	Logo of Dayingjia Dou Dizhu (大贏家鬥地主logo)	PRC	Guo Zuo Deng Zi -2020-I-01096933	2020/8/17
50	Kuaiying Pianchang Template Copyright Protection (CN) (快影片場模板版權保護(CN))	PRC	Guo Zuo Deng Zi -2020-I-01043530	2020/7/6
51	Kuaishou IP and China Science and Technology Museum Crossover Merchandise -Xiaokuai Xiaoliu (快手IP與北京科技館合作周邊小快小六)	PRC	Guo Zuo Deng Zi -2020-F-01076997	2020/7/21
52	Snackvideo Logo Design (CN) (snackvideo logo設計(CN))	PRC	Guo Zuo Deng Zi -2020-F-01096908	2020/8/17
53	ac Series Small Theatre 5 (ac系列小劇場5)	PRC	Guo Zuo Deng Zi -2020-F-01001777	2020/3/23
54	Xiaokuai — 9th Company Anniversary Celebration School Uniform Version (CN) (小快 — 9周年司慶校服款(CN))	PRC	Guo Zuo Deng Zi -2020-F-01090010	2020/8/3
55	Xiaoliu — 9th Company Anniversary Celebration School Uniform Version (CN) (小六 — 9周年司慶校服款(CN))	PRC	Guo Zuo Deng Zi -2020-F-01090011	2020/8/3
56	Xiaoliu — CBA Crossover Version (CN) (小六 — CBA合作款(CN))	PRC	Guo Zuo Deng Zi -2020-F-01090005	2020/8/3
57	Xiaokuai — CBA Crossover Version (CN) (小快 — CBA合作款(CN))	PRC	Guo Zuo Deng Zi -2020-F-01090006	2020/8/3

No.	Copyright	Place of Registration	Registration Number	Registration Date
58	Xiaokuai — Government and Enterprise Crossover Version (CN) (小快 — 政企合作款(CN))	PRC	Guo Zuo Deng Zi -2020-F-01090009	2020/8/3
59	Xiaokuai — 9th Company Anniversary Celebration Metal Version (CN) (小快 — 9周年司慶金屬款(CN))	PRC	Guo Zuo Deng Zi -2020-F-01090008	2020/8/3
60	Xiaoliu — 9th Company Anniversary Celebration Metal Version (CN) (小六 — 9周年司慶金屬款(CN))	PRC	Guo Zuo Deng Zi -2020-F-01090007	2020/8/3
61	Logo of Kuaishou (快手logo)	PRC	Guo Zuo Deng Zi -2020-F-01107478	2020/8/27
62	Logo of ACFUN	PRC	Guo Zuo Deng Zi -2020-F-01027924	2020/4/30
63	AcFun Image Sketch (AcFun形象簡筆)	PRC	Guo Zuo Deng Zi -2020-F-01027923	2020/4/30
64	TD Niang Cute Character Image (TD娘Q版人物形象)	PRC	Guo Zuo Deng Zi -2020-F-01027932	2020/4/30
65	Cartoon Image — AC Monkey (卡通形象 — AC猴)	PRC	Guo Zuo Deng Zi -2020-F-01027933	2020/4/30
66	AC Niang and TD Niang (AC娘與TD娘)	PRC	Guo Zuo Deng Zi -2020-F-01027921	2020/4/30
67	AC Niang Cute Character Image (AC娘Q版人物形象)	PRC	Guo Zuo Deng Zi -2020-F-01027920	2020/4/30
68	Full Set of AC Niang Facial Expressions (AC娘全套表情)	PRC	Guo Zuo Deng Zi -2020-F-01027934	2020/4/30
69	AC Top Knot (AC包子頭)	PRC	Guo Zuo Deng Zi -2020-F-01027930	2020/4/30
70	AC Monkey (AC猴子)	PRC	Guo Zuo Deng Zi -2020-F-01027922	2020/4/30
71	Character Image — TD Niang (人物形象 — TD娘)	PRC	Guo Zuo Deng Zi -2020-F-01027931	2020/4/30
72	Character Image — AC Niang (人物形象 — AC娘)	PRC	Guo Zuo Deng Zi -2020-F-01027943	2020/4/30

No.	Copyright	Place of Registration	Registration Number	Registration Date
73	AC Niang (AC娘)	PRC	Guo Zuo Deng Zi -2020-F-01027929	2016/6/3
74	TD Niang (TD娘)	PRC	Guo Zuo Deng Zi -2020-F-01027928	2020/4/30
75	AC Niang Dynamic Colored Facial Expressions (AC娘彩色動態表情)	PRC	Guo Zuo Deng Zi -2017-I-00442880	2017/12/15
76	AC Niang Black and White Facial Expressions (Second Edition) (AC娘黑白表情第二彈)	PRC	Guo Zuo Deng Zi -2017-F-00442881	2017/12/15
77	Qushi Niang (趨勢娘)	PRC	Guo Zuo Deng Zi -2018-F-00672394	2018/11/28
78	Luwei Niang (蘆葦娘)	PRC	Guo Zuo Deng Zi -2018-F-00672395	2018/11/28
79	3D Hula Hoop Human Body Identification Magic Clock (3D呼啦圈人體識別魔表)	PRC	Guo Zuo Deng Zi -2020-I-01096894	2020/8/24
80	Creative Magical Facial Expressions — Girl to Boy “Mr. Jade” (女生變男生《公子如玉》創意魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-01096893	2020/8/24
81	Nuptial Bliss (喜結良緣)	PRC	Guo Zuo Deng Zi -2020-I-01096892	2020/8/24
82	Logo of Kuaishou League (快手聯盟logo)	PRC	Guo Zuo Deng Zi -2020-F-01102312	2020/8/27
83	Logo of Kuaishou (快手logo)	PRC	Guo Zuo Deng Zi -2020-F-01080913	2020/9/1
84	Magical Facial Expressions — Head Shaking Kitty (繞頭貓咪魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000007	2020/9/8
85	Magical Facial Expressions — Finger Tip Butterfly (指尖蝴蝶魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000037	2020/9/14
86	Lovely Me (可愛的我)	PRC	Guo Zuo Deng Zi -2020-F-00000038	2020/9/14
87	Magical Facial Expressions — Lovely Me (可愛的我魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000039	2020/9/14

No.	Copyright	Place of Registration	Registration Number	Registration Date
88	Magical Facial Expressions — Love Heroine (言情女主魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000050	2020/9/15
89	Belle (美人如畫)	PRC	Guo Zuo Deng Zi -2020-F-00000058	2020/9/15
90	Magical Facial Expressions — Belle (美人如畫魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000045	2020/9/15
91	Love Hero (言情男主)	PRC	Guo Zuo Deng Zi -2020-F-00000060	2020/9/15
92	Magical Facial Expressions — Love Hero (言情男主魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000049	2020/9/15
93	My Boyfriend (我的男友)	PRC	Guo Zuo Deng Zi -2020-F-00000059	2020/9/15
94	Magical Facial Expressions — My Boyfriend (我的男友魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000051	2020/9/15
95	Love Princess (言情格格)	PRC	Guo Zuo Deng Zi -2020-F-00000061	2020/9/15
96	Magical Facial Expressions — Love Princess (言情格格魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000046	2020/9/15
97	Magical Facial Expressions — Hand-drawn Style (手繪風格魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000047	2020/9/15
98	Magical Facial Expressions — Hand-drawn Style 2 (手繪風格2魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00000048	2020/9/15
99	Hand-drawn Style (手繪風格)	PRC	Guo Zuo Deng Zi -2020-F-00000081	2020/9/17
100	Hand-drawn Style 2 (手繪風格2)	PRC	Guo Zuo Deng Zi -2020-F-00000080	2020/9/17
101	Logo of Magnetic Star (磁力聚星 logo)	PRC	Guo Zuo Deng Zi -2020-F-01141871	2020/10/16
102	Logo of Magnetic Wanxiang (磁力萬象Logo)	PRC	Guo Zuo Deng Zi -2020-F-01156628	2020/11/4

No.	Copyright	Place of Registration	Registration Number	Registration Date
103	Logo of Qingque (輕雀LOGO)	PRC	Guo Zuo Deng Zi -2020-F-00002875	2020/11/5
104	Graphic Demonstration of Kuaishou Brand Logo (快手品牌LOGO圖形演繹動畫)	PRC	Guo Zuo Deng Zi -2020-I-00002873	2020/11/5
105	Mystery Box of Mojito Figurine (Mojito手辦盲盒)	PRC	Guo Zuo Deng Zi -2020-F-00005597	2020/11/16
106	Image of Kuaishou Brand Logo (快手品牌LOGO圖形)	PRC	Guo Zuo Deng Zi -2020-F-00002874	2020/11/5
107	Xiaokuai Xiaoliu Mid-Autumn Moon Rabbit Doll (小快小六中秋月兔公仔)	PRC	Guo Zuo Deng Zi -2020-F-00005599	2020/11/16
108	Music Image of Kuaishou IP (快手IP音樂形象)	PRC	Guo Zuo Deng Zi -2020-F-00005601	2020/11/16
109	Character Image of Aiyou Dou Dizhu (愛游鬥地主人物形象)	PRC	Guo Zuo Deng Zi -2020-F-00007081	2020/11/20
110	Kuaishou IP Mid-Autumn Moon-landing Suit Painting — Xiaoliu (快手IP中秋登月套裝塗裝—小六)	PRC	Guo Zuo Deng Zi -2020-F-00009219	2020/11/26
111	Kuaishou IP Mid-Autumn Moon-landing Suit Painting — Xiaokuai (快手IP中秋登月套裝塗裝—小快)	PRC	Guo Zuo Deng Zi -2020-F-00009218	2020/11/26
112	Logo of Kayak (皮艇Logo)	PRC	Guo Zuo Deng Zi -2020-F-00019062	2020/12/14
113	Logo of Kuaishou US Research Center (快手美國研發中心Logo)	PRC	Guo Zuo Deng Zi -2020-F-00019064	2020/12/14
114	Kuaishou IP Firefighter Painting Xiaokuai No.1 (快手IP消防員塗裝小快一號)	PRC	Guo Zuo Deng Zi -2020-F-00019066	2020/12/14
115	Kuaishou IP Firefighter Painting Xiaokuai No.2 (快手IP消防員塗裝小快二號)	PRC	Guo Zuo Deng Zi -2020-F-00019067	2020/12/14

No.	Copyright	Place of Registration	Registration Number	Registration Date
116	Logo of Magnetic Jinniu (磁力金牛Logo)	PRC	Guo Zuo Deng Zi -2020-F-00019063	2020/12/14
117	Logo of Xianyue (仙樂Logo)	PRC	Guo Zuo Deng Zi -2020-F-00019065	2020/12/14
118	Leisure Image of AC Niang (AC娘休閒形象)	PRC	Guo Zuo Deng Zi -2020-F-00001393	2020/10/29
119	Cute Facial Expression Pack of AC Niang (AC娘Q版表情包)	PRC	Guo Zuo Deng Zi -2020-I-00003518	2020/11/9
120	Cute Facial Expression Pack of TD Niang (TD娘Q版表情包)	PRC	Guo Zuo Deng Zi -2020-I-00003519	2020/11/9
121	Cute Facial Expression of AC Niang & TD Niang (AC&TD娘Q版表情包)	PRC	Guo Zuo Deng Zi -2020-I-00003520	2020/11/9
122	Fairy-tale Series Magical Facial Expression (童話系列魔法表情)	PRC	Guo Zuo Deng Zi -2020-I-00008431	2020/11/24

2.2.4 Domain names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be or may be material to our business:

No.	Domain	Registered Owner	Place of Registration	Registration Date	Expiry Date
1.	chenzhongtech.com	Beijing Chenzhong	PRC	2017/7/26	2023/7/26
2.	kuai-fei.com	Beijing Chenzhong	PRC	2018/1/10	2022/1/10
3.	kwaishop.cn	Beijing Chenzhong	PRC	2018/9/3	2022/9/3
4.	kwaishop.com	Beijing Chenzhong	PRC	2018/9/3	2022/9/3
5.	kwaimall.cn	Beijing Chenzhong	PRC	2018/9/3	2022/9/3
6.	kwaimall.com	Beijing Chenzhong	PRC	2018/9/3	2022/9/3
7.	zhongnice.com	Beijing Chenzhong	PRC	2018/11/6	2021/11/6
8.	zhongnice.cn	Beijing Chenzhong	PRC	2018/11/6	2021/11/6
9.	kxiaofan.cn	Beijing Chenzhong	PRC	2019/5/27	2021/5/27
10.	kxiaofan.com	Beijing Chenzhong	PRC	2019/5/27	2021/5/27
11.	kuaijinniu.cn	Beijing Chenzhong	PRC	2019/8/26	2022/8/26

No.	Domain	Registered Owner	Place of Registration	Registration Date	Expiry Date
12.	jinniujiishi.com	Beijing Chenzhong	PRC	2019/8/26	2022/8/26
13.	jinniujiishi.cn	Beijing Chenzhong	PRC	2019/8/26	2022/8/26
14.	kuaijinniu.com	Beijing Chenzhong	PRC	2019/8/26	2022/8/26
15.	kaiyanchuangyi.com	Beijing Chenzhong	PRC	2020/1/19	2030/1/19
16.	yitianchat.com	Beijing Chenzhong	PRC	2020/2/29	2021/2/28
17.	facetalky.com	Beijing Chenzhong	PRC	2020/2/29	2021/2/28
18.	yitiantalk.com	Beijing Chenzhong	PRC	2020/2/29	2021/2/28
19.	facetalkie.com	Beijing Chenzhong	PRC	2020/2/29	2021/2/28
20.	kwaijianzhan.com	Beijing Chenzhong	PRC	2020/7/6	2023/7/6
21.	tingpiting.com	Beijing Chenzhong	PRC	2020/8/3	2021/8/3
22.	ksapisrv.com	WFOE	PRC	2015/1/5	2025/1/5
23.	kwings.com	WFOE	PRC	2016/1/20	2021/1/20
24.	kuaishoupay.com	WFOE	PRC	2016/3/15	2021/3/15
25.	kwaitalk.cn	WFOE	PRC	2018/10/24	2021/10/24
26.	kwaitalk.com	WFOE	PRC	2018/10/24	2021/10/24
27.	kwaizt.com	WFOE	PRC	2019/6/11	2022/6/11
28.	kuaishouzt.com	WFOE	PRC	2019/6/11	2022/6/11
29.	kuaishouzt.cn	WFOE	PRC	2019/6/11	2022/6/11
30.	kwaizt.cn	WFOE	PRC	2019/6/11	2022/6/11
31.	yiqioffice.com	WFOE	PRC	2015/6/25	2021/6/25
32.	yiqixie.com	WFOE	PRC	2007/7/30	2022/7/30
33.	yiqihuihui.com	WFOE	PRC	2015/6/24	2021/6/24
34.	kwaicdn.com	WFOE	PRC	2020/4/3	2021/4/3
35.	ssscdn.com	WFOE	PRC	2020/4/3	2021/4/3
36.	ssrcdn.com	WFOE	PRC	2020/4/3	2021/4/3
37.	kwaicdn.com	WFOE	PRC	2020/4/3	2021/4/3
38.	las-tech.org.cn	WFOE	PRC	2020/5/5	2021/5/5
39.	springlucky.com	WFOE	PRC	2018/10/22	2021/10/22

No.	Domain	Registered Owner	Place of Registration	Registration Date	Expiry Date
40.	springlucky.cn	WFOE	PRC	2018/10/22	2021/10/22
41.	wasayun.cn	Beijing Qingque	PRC	2020/7/17	2021/7/17
42.	wasayun.com	Beijing Qingque	PRC	2020/7/17	2021/7/17
43.	qingque.world	Beijing Qingque	PRC	2020/7/15	2021/7/15
44.	qingque.co	Beijing Qingque	PRC	2020/7/15	2021/7/15
45.	qingque.cloud	Beijing Qingque	PRC	2020/7/15	2021/7/15
46.	qingque.cn	Beijing Qingque	PRC	2012/1/15	2021/1/15
47.	matchyun.cn	Beijing Qingque	PRC	2020/8/25	2021/8/25
48.	matchsaas.com	Beijing Qingque	PRC	2020/8/25	2021/8/25
49.	matchsaas.cn	Beijing Qingque	PRC	2020/8/25	2021/8/25
50.	saasmatch.cn	Beijing Qingque	PRC	2020/8/25	2021/8/25
51.	acfun.cn	Beijing Danmu	PRC	2007/6/5	2023/6/5
52.	shuimoo.cn	Beijing Danmu	PRC	2020/2/10	2021/2/10
53.	hanyuhl.com	Beijing Hanyu	PRC	2017/12/22	2020/12/22
54.	remadeapp.com	Beijing Hanyu	PRC	2019/12/23	2020/12/23
55.	beforeapp.com	Beijing Hanyu	PRC	2019/12/23	2020/12/23
56.	remadetoday.com	Beijing Hanyu	PRC	2019/12/23	2020/12/23
57.	remadeus.com	Beijing Hanyu	PRC	2019/12/23	2020/12/23
58.	etoote.cn	Huayi Huilong	PRC	2006/9/4	2022/9/4
59.	etoote.com	Huayi Huilong	PRC	2006/9/4	2022/9/4
60.	kuaihou.com	Huayi Huilong	PRC	2006/4/8	2021/4/8
61.	kspkg.com	Huayi Huilong	PRC	2017/7/21	2022/7/21
62.	kuaihouapp.com	Huayi Huilong	PRC	2015/6/9	2023/6/9
63.	kwai666.com	Huayi Huilong	PRC	2017/6/1	2023/6/1
64.	kwaitv.com	Huayi Huilong	PRC	2018/10/17	2022/10/17
65.	kwailai.com	Huayi Huilong	PRC	2018/10/17	2022/10/17
66.	ksurl.cn	Huayi Huilong	PRC	2018/11/9	2021/11/9
67.	catuscdn.xyz	Huayi Huilong	PRC	2019/12/23	2023/12/23

No.	Domain	Registered Owner	Place of Registration	Registration Date	Expiry Date
68.	catus.xyz	Huayi Huilong	PRC	2019/12/23	2023/12/23
69.	huankuaijkj.cn	Huankuai Technology	PRC	2018/11/6	2021/11/6
70.	fuanapp.com	Beijing Kuaifu'an	PRC	2018/11/6	2021/11/6
71.	fuanapp.cn	Beijing Kuaifu'an	PRC	2018/11/6	2022/11/6
72.	idofan.com	Beijing Kuaifu'an	PRC	2019/9/10	2022/9/10
73.	kwaiad.cn	Beijing Kuaishou Ads	PRC	2018/7/9	2023/7/9
74.	kwaibusiness.cn	Beijing Kuaishou Ads	PRC	2018/7/9	2023/7/9
75.	kwaiadapp.cn	Beijing Kuaishou Ads	PRC	2018/11/6	2021/11/6
76.	kuaiads.cn	Beijing Kuaishou Ads	PRC	2018/11/6	2022/11/6
77.	kuaiads.com	Beijing Kuaishou Ads	PRC	2018/11/6	2021/11/6
78.	kwai.com	Beijing Kuaishou	PRC	2002/1/16	2023/1/16
79.	kwai.net	Beijing Kuaishou	PRC	1999/10/5	2021/10/5
80.	kuaishou.cn	Beijing Kuaishou	PRC	2007/5/20	2021/5/20
81.	kuai-ying.com	Beijing Kuaishou	PRC	2018/10/12	2021/10/12
82.	kuai-ying.cn	Beijing Kuaishou	PRC	2018/10/12	2021/10/12
83.	kwaiying.com	Beijing Kuaishou	PRC	2018/10/12	2021/10/12
84.	kwaiying.cn	Beijing Kuaishou	PRC	2018/10/12	2021/10/12
85.	ikuaiying.cn	Beijing Kuaishou	PRC	2018/9/13	2022/9/13
86.	kstv.com	Beijing Kuaishou	PRC	2000/1/7	2021/1/7
87.	dianmiao.cn	Beijing Kuaishou	PRC	2014/7/1	2026/7/1
88.	woyitian.com	Beijing Kuaishou	PRC	2019/7/9	2021/7/9
89.	wodeyt.com	Beijing Kuaishou	PRC	2019/7/9	2021/7/9
90.	woaiyt.net	Beijing Kuaishou	PRC	2019/7/9	2021/7/9
91.	wodeyt.net	Beijing Kuaishou	PRC	2019/7/9	2021/7/9
92.	woaiyt.com	Beijing Kuaishou	PRC	2019/7/9	2021/7/9
93.	diyiyt.com	Beijing Kuaishou	PRC	2019/7/9	2021/7/9
94.	woaiyitian.com	Beijing Kuaishou	PRC	2019/7/9	2021/7/9
95.	52yitian.com	Beijing Kuaishou	PRC	2019/7/8	2021/7/8

No.	Domain	Registered Owner	Place of Registration	Registration Date	Expiry Date
96.	52yt.net	Beijing Kuaishou	PRC	2019/7/9	2021/7/9
97.	mvmaster.com	Beijing Kuaishou	PRC	2018/6/26	2021/6/26
98.	yiqixie.cn	Beijing Kuaishou	PRC	2015/11/9	2022/11/9
99.	playcasualgame.cn	Beijing Murong	PRC	2019/4/25	2021/4/25
100.	playcasualgame.com	Beijing Murong	PRC	2019/4/25	2021/4/25
101.	xiatou.com	Beijing Muyuan	PRC	2007/7/9	2024/7/9
102.	xiatouapp.com	Beijing Muyuan	PRC	2017/6/22	2023/6/22
103.	m2ucam.com	Beijing Muyuan	PRC	2018/7/23	2022/7/23
104.	m2ucam.cn	Beijing Muyuan	PRC	2018/7/23	2022/7/23
105.	m2uapp.cn	Beijing Muyuan	PRC	2018/7/25	2023/7/25
106.	m2uapp.com	Beijing Muyuan	PRC	2018/7/25	2023/7/25
107.	66ring.com	Beijing Muyuan	PRC	2018/11/15	2021/11/15
108.	66ring.cn	Beijing Muyuan	PRC	2018/11/15	2021/11/15
109.	66ring.com.cn	Beijing Muyuan	PRC	2018/11/15	2021/11/15
110.	duckingo.cn	Beijing Muyuan	PRC	2019/8/8	2022/8/8
111.	duckingo.com	Beijing Muyuan	PRC	2019/8/8	2022/8/8
112.	shanggukt.cn	Beijing Shanggu Kaitian	PRC	2019/7/22	2022/7/22
113.	shanggukt.com	Beijing Shanggu Kaitian	PRC	2019/7/22	2022/7/22
114.	gifshow.com	Beijing One Smile	PRC	2011/8/25	2021/8/25
115.	inkuai.com	Beijing One Smile	PRC	2014/12/3	2020/12/3
116.	mulightvip.cn	Beijing Yunche	PRC	2018/10/16	2022/10/16
117.	mulightvip.com	Beijing Yunche	PRC	2018/10/16	2022/10/16
118.	ring0123.com	Beijing Yunche	PRC	2018/10/18	2021/10/18
119.	ring0123.cn	Beijing Yunche	PRC	2018/10/18	2021/10/18
120.	ring0123.com.cn	Beijing Yunche	PRC	2018/10/18	2021/10/18
121.	yuncheapp.cn	Beijing Yunche	PRC	2018/11/6	2021/11/6

No.	Domain	Registered Owner	Place of Registration	Registration Date	Expiry Date
122.	yuncheapp.com	Beijing Yunche	PRC	2018/11/6	2021/11/6
123.	bjzbky.com	Beijing Zhongbo Keyuan	PRC	2017/8/14	2023/8/14
124.	ndcsk.com	Beijing Zhongbo Keyuan	PRC	2020/4/3	2021/4/3
125.	ndcimgs.com	Beijing Zhongbo Keyuan	PRC	2020/4/3	2021/4/3
126.	xxpkg.com	Beijing Zhongbo Keyuan	PRC	2020/4/3	2021/4/3
127.	ndcyx.com	Beijing Zhongbo Keyuan	PRC	2020/4/3	2021/4/3
128.	xyyimgs.com	Beijing Zhongbo Keyuan	PRC	2020/4/3	2021/4/3
129.	kwaigobuy.com	Chengdu Kuaigou	PRC	2019/10/24	2021/10/24
130.	kwaixiaodian.com	Chengdu Kuaigou	PRC	2019/10/25	2021/10/25
131.	suiyiapp.cn	Chengdu Suiyi	PRC	2018/11/6	2021/11/6
132.	suiyiapp.com	Chengdu Suiyi	PRC	2018/11/6	2021/11/6
133.	yximgs.com	Mr. Cheng Yixiao	PRC	2012/4/19	2021/4/19
134.	yxixy.com	Mr. Cheng Yixiao	PRC	2012/4/19	2022/4/19
135.	ksfankuai.cn	Guizhou Fankuai	PRC	2019/3/6	2023/3/6
136.	ksfankuai.com	Guizhou Fankuai	PRC	2019/3/6	2023/3/6
137.	ksfanxin.cn	Guizhou Fanxin Lingzhi	PRC	2019/3/6	2023/3/6
138.	ksfanxin.com	Guizhou Fanxin Lingzhi	PRC	2019/3/6	2023/3/6
139.	hzi1.com	Hainan Ziyi	PRC	2019/7/22	2022/7/22
140.	hzi1.cn	Hainan Ziyi	PRC	2019/7/22	2022/7/22
141.	uyouqu.com	Hangzhou Youqu	PRC	2016/1/15	2024/1/15
142.	uyouqu.cn	Hangzhou Youqu	PRC	2016/1/21	2022/1/21
143.	viviv.com	Hangzhou Youqu	PRC	2004/1/14	2021/1/14
144.	getkwai.com	Hangzhou Youqu	PRC	2018/5/19	2021/5/19

<u>No.</u>	<u>Domain</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Date</u>	<u>Expiry Date</u>
145.	ksdisco.com	Hangzhou Youqu	PRC	2018/10/18	2021/10/18
146.	ksdisco.cn	Hangzhou Youqu	PRC	2018/10/18	2021/10/18
147.	xkwai.com	Xiong'an Kuaishou	PRC	2018/11/6	2021/11/6
148.	xkwai.cn	Xiong'an Kuaishou	PRC	2018/11/6	2021/11/6
149.	kuafuan.com	Huai'an Kangxiangfu	PRC	2017/2/27	2023/2/27
150.	hapame.com	Yooooe Xingji	PRC	2008/12/20	2021/12/20
151.	acfun.net	Yooooe Xingji	PRC	2012/10/21	2025/10/21
152.	gziqwfx.com	Changsha Kuaishou	PRC	2019/12/3	2021/12/3
153.	qutgrfg.com	Sichuan Kuaishou	PRC	2019/12/3	2021/12/3
154.	uzemqhd.com	Sichuan Kuaishou	PRC	2019/12/3	2021/12/3

Save as disclosed above, 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.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 Disclosure of interests

Save as disclosed below, immediately following completion of the Global Offering (assuming that (i) the Over-allotment Option is not exercised; (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme), so far as our Directors are aware, the interests or short positions of our Directors and the chief executives in any Shares, underlying shares and debentures of our Company or any 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 short positions which have been taken or deemed to have been taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register 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 Issuers contained in the Listing Rules, will be as follows:

(i) *Interest in Shares of the Company*

Name of Director	Capacity/Nature of interest ⁽¹⁾	Number and class of securities	Approximate % shareholding interest immediately following the completion of the Global Offering ⁽²⁾
Su Hua	Beneficiary and founder of a trust ⁽³⁾	427,469,521 Class A Shares	10.41%
		56,961,183 Class B Shares	1.39%
Cheng Yixiao	Beneficiary and founder of a trust ⁽⁴⁾	338,767,480 Class A Shares	8.25%
		45,568,873 Class B Shares	1.11%

Notes:

(1) All interests stated are long position.

- (2) The table above is calculated on the basis that the total of 4,108,194,737 Shares will be in issue immediately after completion of the Global Offering (assuming that (i) the Over-allotment Option is not exercised; (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme).
- (3) Reach Best directly holds 427,469,521 Class A Shares and 56,961,183 Class B Shares. The entire interest of Reach Best is held through a trust which was established by Su Hua (as the settlor) for the benefit of Su Hua and his family. Under the SFO, Su Hua is deemed to be interested in the Shares held by Reach Best.
- (4) Ke Yong directly holds 338,767,480 Class A Shares and 45,568,873 Class B Shares. The entire interest of Ke Yong is held through a trust which was established by Cheng Yixiao (as the settlor) for the benefit of Cheng Yixiao and his family. Under the SFO, Cheng Yixiao is deemed to be interested in the Shares held by Ke Yong.

(ii) Interest in associated corporations

Name of director or chief executive	Nature of interest ⁽¹⁾	Associated corporations	Amount of registered capital (RMB)	Percentage of shareholding in the associated corporation
Su Hua	Beneficial interest	Hangzhou Youqu	10,000,000	90.00%
		Beijing One Smile	10,000,000	32.32%
Cheng Yixiao . . .	Beneficial interest	Beijing One Smile	10,000,000	25.86%
Zhang Fei	Beneficial interest	Beijing One Smile	10,000,000	23.70%

Note:

- (1) All interests stated are long position.

3.2 Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering (assuming that (i) the Over-allotment Option is not exercised; (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please refer to the section headed “Substantial Shareholders”.

Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming that (i) the Over-allotment Option is not exercised; (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme), 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 our Company or have an option in respect of such capital.

3.3 Directors' service contracts and appointment letter

Executive Directors

Each of our executive Directors has entered into a service contract with our Company. Pursuant to this agreement, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board or until the third annual general meeting of our Company after the Listing Date (whichever is earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management — Directors' Remuneration."

No annual director's fees are payable to the executive Directors under the current arrangement.

Non-executive Directors

Each of our non-executive Directors has entered into an appointment letter with our Company. Their appointment as a Director shall continue for three years after or until the third annual general meeting of the Company after the Listing Date, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, the non-executive Directors are not entitled to receive annual salaries in their capacity as non-executive Directors.

Independent Non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company. The initial term of their appointment shall be three years from the date of this prospectus or until the third annual general meeting of the Company after the Listing Date,

whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Save as disclosed above, none of our Directors has or will have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3.4 Directors' remuneration

The remuneration of our Directors are paid in the form of salaries, allowances, employee benefits, discretionary bonuses, fees and retirement benefits.

The remuneration of our Directors are paid in the form of salaries, allowances, benefits in kind, pension scheme contributions and share-based payments. The aggregate amount of remuneration (including wages, salaries, bonuses, pension costs, other employee benefits, and share-based compensation expenses) for our Directors for the years ended December 31, 2017, 2018 and 2019, and for the nine months ended September 30, 2020 were approximately RMB15,305,000, RMB8,997,000, RMB7,621,000 and RMB5,666,000, respectively.

Under the arrangements currently in force, it is estimated that the aggregate amount of remuneration of our Directors (including wages, salaries, bonuses, pension costs and other employee benefits) for the year ending December 31, 2021 will be approximately RMB11,453,215 (excluding discretionary bonus).

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).

3.5 Disclaimers

Save as disclosed in "Directors and Senior Management", "Relationship with Our Controlling Shareholders", "Substantial Shareholders" and "— 3. Further Information about Our Directors and Substantial Shareholders — 3.3 Directors' service contracts and appointment letter":

- (i) 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;

- (ii) none of the Directors or the experts named in the section headed “— 7. Other Information — 7.8 Qualifications and 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;
- (iii) 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;
- (iv) 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;
- (v) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme, 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
- (vi) 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.

4. PRE-IPO ESOP

The following is a summary of the principal terms of the amended and restated share incentive plan (the “**Pre-IPO ESOP**”) of the Company as approved and adopted pursuant to the written resolutions of all shareholders of the Company dated February 6, 2018 as amended from time to time. The terms of the Pre-IPO ESOP are 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 paragraph headed “Waiver and Exemption in relation to the Pre-IPO ESOP of the Company ” in the section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” for more information.

4.1 Purpose of the Pre-IPO ESOP

The purpose of the Pre-IPO ESOP is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, Directors and other eligible persons and to further link the interests of award recipients under the Pre-IPO ESOP with those of the Company’s shareholders generally.

4.2 Selected participants to the Pre-IPO ESOP

Awards under the Pre-IPO ESOP may be granted only to those persons that the Administrator (as defined below) determines to be Eligible Persons. An “Eligible Person” means any person who qualifies as one of the following at the time of grant of the respective Award (as defined below):

- (a) an officer (whether or not a Director) or employee of the Company or any of its affiliates;
- (b) any member of the Board; or

- (c) any director of one of the Company's affiliates, or any individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Company or one of its affiliates, as applicable, in a capital raising transaction or as a market maker or promoter of that entity's securities) to the Company or one of its affiliates.

An advisor or consultant may be selected as an Eligible Person pursuant to paragraph (c) above only if such person's participation in the Pre-IPO ESOP would not adversely affect the Company's compliance with any applicable laws. Subject to the provisions of the Pre-IPO ESOP, the Administrator may, from time to time, select from among all Eligible Persons to whom Awards in the form of options ("**Options**") and restricted share awards ("**Restricted Shares**") (collectively "**Awards**") shall be granted and shall determine the nature and amount of each option.

4.3 Maximum number of shares

The maximum aggregate number of Shares which may be issued is 711,946,697, subject to any adjustments for other dilutive issuances.

4.4 Administration

The Pre-IPO ESOP is administered by and all Awards under the Pre-IPO ESOP are authorized by the Administrator. The "**Administrator**" means the Board or a committee of the Board to administer all or certain aspects of the Pre-IPO ESOP. Any such committee shall be comprised solely of one or more Directors or such number of Directors as may be required under applicable law and the Memorandum and Articles of Association of the Company. The Board or the committee, as the case may be, may delegate its powers under the Pre-IPO ESOP or different levels of authority to different committees or one or more officers of the Company to the extent permitted by the Companies Act and any other applicable law. Pursuant to the delegation of power and authority, actions by such committees or officers shall constitute actions by the Administrator. Unless otherwise provided in the Memorandum and Articles of Association of the Company or the applicable charter of any Administrator: (a) a majority of the members of the acting Administrator shall constitute a quorum, and (b) the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.

Subject to the express provisions of the Pre-IPO ESOP, the Administrator is authorized and empowered to do all things it deems necessary or desirable in connection with the authorization of Awards and the administration of the Pre-IPO ESOP (in the case of a committee or delegation to one or more officers, within the authority delegated to that committee or person(s)), including, without limitation, the authority to:

- (i) determine eligibility and, from among those persons determined to be eligible, the particular Eligible Persons who will receive Awards;
- (ii) grant Awards to Eligible Persons, determine the type, price and number of securities to be offered or awarded to any of such persons, determine the other specific terms and conditions of Awards consistent with the express limits of the Pre-IPO ESOP, establish the installments (if any) in which such Awards will become exercisable or will vest (which may include, without limitation, performance and/or time-based schedules) or determine that no delayed exercisability or vesting is required, establish any applicable performance targets, and establish the events of termination or reversion of such Awards;
- (iii) approve the forms of Award Agreements (as defined below), which need not be identical either as to type of Award or among the Eligible Persons who have been granted and hold Awards under the Pre-IPO ESOP (collectively, the “**Participants**”, each a “**Participant**”);
- (iv) construe and interpret the Pre-IPO ESOP and any Award Agreement or other agreements defining the rights and obligations of the Company, its affiliates, and Participants under the Pre-IPO ESOP, make factual determinations with respect to the administration of the Pre-IPO ESOP, further define the terms used in the Pre-IPO ESOP, and prescribe, amend and rescind rules and regulations relating to the administration of the Pre-IPO ESOP or the Awards;
- (v) cancel, modify, or waive the Company’s rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding Awards, subject to any required consent under the Pre-IPO ESOP;
- (vi) accelerate or extend the vesting or exercisability or extend the term of any or all outstanding Awards (within the maximum ten-year term of Awards under the Pre-IPO ESOP) in such circumstances as the Administrator may deem appropriate (including, without limitation, in connection with a termination of employment or services or other events of a personal nature);

- (vii) determine fair market value for purposes of the Pre-IPO ESOP and Awards;
- (viii) determine the duration and purposes of leaves or absence that may be granted to Participants without constituting a termination of their employment for purposes of the Pre-IPO ESOP;
- (ix) determine whether, and the extent to which, adjustments are required pursuant to the adjustment provisions under the Pre-IPO ESOP and authorize the termination, conversion, substitution or succession of awards upon the occurrence of an event of the type described in such adjustment provisions; and
- (x) implement any procedures, steps, additional or different requirements as may be necessary to comply with any laws that may be applicable to the Pre-IPO ESOP, any Award or any related documents.

4.5 Grant of Awards

The Administrator is authorized to approve and grant Awards to Participants in accordance with the terms of the Pre-IPO ESOP. Awards granted will be evidenced by an agreement (“**Award Agreement**”) between the Company and the Participant in the form approved by the Administrator. The Award Agreement evidencing an Award shall contain the terms established by the Administrator for that Award, as well as any other terms, provisions, or restrictions that the Administrator may impose on the Award; in each case subject to the applicable provisions and limitations under the Pre-IPO ESOP. The Administrator may require that the recipient of an Award promptly execute and return to the Company his or her Award Agreement evidencing the Award. In addition, the Administrator may require that the spouse of any married recipient of an Award also promptly execute and return to the Company the Award Agreement evidencing the Award granted to the recipient or such other spousal consent form that the Administrator may require in connection with the grant of the Award.

4.6 Option

(i) *Exercise Price*

Subject to the following provisions under the Pre-IPO ESOP, the Administrator will determine the purchase price per share of the Ordinary Shares covered by each Option (the “exercise price” of the Option) at the time of the grant of the Option, which exercise price will be set out in the applicable Award Agreement subject to certain pricing limit as set out in the Pre-IPO ESOP.

(ii) Payment

The Company will not be obligated to deliver certificates for the ordinary shares to be purchased on exercise of an option unless and until it receives full payment of the exercise price therefor, all related withholding obligations have been satisfied, and all other conditions to the exercise of the option set forth in the Pre-IPO ESOP or in the Award Agreement have been satisfied. The purchase price of any ordinary shares purchased on exercise of an option must be paid in full at the time of each purchase in such lawful consideration as may be permitted or required by the Administrator, which may include, without limitation, one or a combination of the following methods:

- (a) cash, check payable to the order of the Company, or electronic funds transfer;
- (b) notice and third party payment in such manner as may be authorized by the Administrator;
- (c) the allotment of previously owned ordinary shares;
- (d) by a reduction in the number of ordinary shares otherwise issuable pursuant to the Award;
- (e) subject to such procedures as the Administrator may adopt, pursuant to a “cashless exercise”; or
- (f) if authorized by the Administrator or specified in the applicable Award Agreement, by a promissory note of the Participant consistent with the requirements under the Pre-IPO ESOP.

(iii) Vesting and Term

The Administrator will determine the vesting and/or exercisability provisions of each option (which may be based on performance criteria, passage of time or other factors or any combination thereof), which provisions will be set out in the applicable Award Agreement. Unless the Administrator otherwise expressly provides, once exercisable an option will remain exercisable until the expiration or earlier termination of the option. To the extent required to satisfy applicable securities laws and subject to early termination as set out in paragraph (iv) below, no option (except an option granted to an officer, Director, or consultant of the Company or any of its Affiliates) shall vest and at a rate of less than 20% per year over five years after the date the option is granted unless otherwise provided by the Administrator.

Each option shall expire not more than 10 years after its date of grant, subject to earlier termination as provided in or pursuant to the Pre-IPO ESOP. Any payment of cash or allotment of shares in payment for or pursuant to an option may be delayed until a future date if specifically authorized by the Administrator in writing and by the Participant.

(iv) Early Termination

(a) Dismissal for Cause

Unless otherwise provided in the applicable Award Agreement and subject to earlier termination pursuant to or as contemplated by other provisions under the Pre-IPO ESOP, if a Participant's employment by or service to the Company or any of its affiliates is terminated by such entity for cause, the Participant's Option will terminate on the Participant's Severance Date (as defined under the Pre-IPO ESOP), whether or not the Option is then vested and/or exercisable.

(b) Death or Disability

Unless otherwise provided in the Award Agreement (consistent with applicable securities laws) and subject to earlier termination pursuant to or as contemplated by other provisions under the Pre-IPO ESOP, if a Participant's employment by or service to the Company or any of its affiliates terminates as a result of the Participant's death or total and permanent disability:

- (1) the Participant (or his or her personal representative or beneficiary, in the case of the Participant's disability or death, respectively), will have until the later of: (i) the date that is 90 days after the exercise date, or (ii) the date that is 12 months after the Participant's Severance Date to exercise the Participant's Option (or portion thereof) to the extent that it was vested on the Severance Date;
- (2) the option, to the extent not vested on the Participant's Severance Date, shall terminate on the Severance Date;
- (3) the option, to the extent vested but not exercisable, shall be subject to the Company's Call Right (as defined below); and
- (4) the option, to the extent exercisable for the period as set out in paragraph (1) above and not exercised during such period, shall terminate at the close of business on the last day of such period.

(c) Other Terminations of Employment

Unless otherwise provided in the applicable Award Agreement (consistent with applicable securities laws) and subject to earlier termination pursuant to or as contemplated by other provisions under the Pre-IPO ESOP, if a Participant's employment by or service to the Company or any of its Affiliates terminates for any reason other than a termination by such entity for cause or because of the Participant's death or Disability:

- 1) the Participant will have until later of: (i) the date that is 90 days after the exercise date, or (ii) the Severance Date to exercise his or her option (or portion thereof) to the extent that it was vested on the Severance Date;
- 2) the option, to the extent not vested on the Participant's Severance Date, shall terminate on the Severance Date;
- 3) the option, to the extent vested but not exercisable, shall be subject to the Company's Call Right (as defined below); and
- 4) the option, to the extent exercisable for the period as set out in paragraph (1) above and not exercised during such period, shall terminate at the close of business on the last day of such period.

(v) Exercise

The option, to the extent then vested, shall become exercisable upon the earlier of (i) the Listing Date, (ii) the occurrence of a Change in Control Event (as defined under the Pre-IPO ESOP); except that, the Administrator, subject to applicable laws and regulations, expressly provides that the option could also become exercisable during one or several window periods before either of the dates mentioned above. Any exercisable Option will be deemed to be exercised when the Company receives written notice of such exercise from the Participant (on a form and in such manner as may be required by the Administrator), together with any required payment and any written statement required under the Pre-IPO ESOP.

4.7 Restricted Shares

(i) *Purchase Price*

Subject to paragraph (ii) below, the Administrator will determine the purchase price per share of the Ordinary Shares covered by each award of Restricted Shares (“**Share Award**”) at the time of grant of the Award. In no case will such purchase price be less than the par value of the Ordinary Shares.

(ii) *Payment*

The Company will not be obligated to record in the Company’s register of members, or issue certificates evidencing, Ordinary Shares awarded under the Share Award unless and until it receives full payment of the purchase price therefor and all other conditions to the purchase, as determined by the Administrator, have been satisfied, at which point the relevant shares shall be issued and noted in the Company’s register of members. The purchase price of any shares subject to a Share Award must be paid in full at the time of the purchase in such lawful consideration as may be permitted or required by the Administrator, which may include, without limitation, one or a combination of the methods set out in sub-paragraph (a) through (f) in paragraph (ii) of the section headed “— 4. Pre-IPO ESOP — 4.6 Option” and/or past services rendered to the Company or any of its Affiliates.

(iii) *Vesting and Term*

The restrictions imposed on the Ordinary Shares subject to a Share Award (which may be based on performance criteria, passage of time or other factors or any combination thereof) will be set out in the applicable Award Agreement. To the extent required to satisfy applicable securities laws, the restrictions imposed on the Ordinary Shares subject to a Share Award (other than an Award granted to an officer, Director, or consultant of the Company or any of its Affiliates, which may include more restrictive provisions) shall lapse as to such shares, subject to repurchase as set out in paragraph (iv) below, at a rate of at least 20% of the shares subject to the Award per year over the five years after the date the Award is granted.

A Share Award shall either vest or be repurchased by the Company not more than 10 years after the date of grant subject to repurchase and early termination as provided in or pursuant to the Pre-IPO ESOP. Any payment of cash or allotment of shares in payment for a Share Award may be delayed until a future date if specifically authorized by the Administrator in writing and by the Participant.

(iv) Repurchase

Unless the Administrator otherwise expressly provides, Restricted Shares subject to an Award that remain subject to vesting conditions that have not been satisfied by the time specified in the applicable Award Agreement (which may include, without limitation, the Participant's Severance Date), will not vest and will be reacquired by the Company in such manner and on such terms as the Administrator provides, which terms shall include return or repayment of the lower of (a) the fair market value of the Restricted Shares at the time of the termination, or (b) the original purchase price of the Restricted Shares, without interest, to the Participant to the extent not prohibited by law. The Award Agreement shall specify any other terms or conditions of the repurchase if the Award fails to vest.

(v) Share Certificate

Share certificates evidencing Restricted Shares will bear a legend making appropriate reference to the restrictions imposed hereunder and will be held by the Company or by a third party designated by the Administrator until the restrictions on such shares have lapsed, the shares have vested in accordance with the provisions of the Award Agreement and the Pre-IPO ESOP, and any related loan has been repaid. Fractional share interests will be disregarded, but may be accumulated. The Administrator, however, may determine that cash, other securities, or other property will be paid or transferred in lieu of any fractional share interests.

4.8 Limitation on Transfer

Unless otherwise expressly provided in the Pre-IPO ESOP, by the Memorandum and Articles of Association, by applicable law or by the Award Agreement, all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. Awards will be exercised only by the Participant and amounts payable or shares issuable pursuant to an Award will be allotted only to (or for the account of), and, in the case of Ordinary Shares, registered in the name of, the Participant. In addition, the shares shall be subject to the restrictions set out in the applicable Award Agreement.

4.9 Company's Call Right

Upon termination of a Participant's employment with or services to the Company or any of its affiliates, the Company shall have the right (but not the obligation) to repurchase in one or more transactions, and the Participant (or any of his or her permitted transferee under the Pre-IPO ESOP or respective Award Agreement) shall be obligated to sell, any of the Ordinary Shares acquired by the Participant from the vesting or exercise of the Awards pursuant to the Pre-IPO ESOP at the applicable repurchase price, which will be paid by the Company upon the repurchase (the "**Call Right**"). Notwithstanding anything to the contrary, the Company's Call Right shall terminate to the extent that it is not exercised prior to the Listing Date.

4.10 Adjustments

Upon or in contemplation of any reclassification, recapitalization, share split (including a share split in the form of a share dividend) or reverse share split ("**share split**"); any merger, amalgamation, combination, consolidation or other reorganization; any split-up, spin-off, or similar extraordinary dividend distribution in respect of the Ordinary Shares (whether in the form of securities or property); any exchange of Ordinary Shares or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of the Ordinary Shares; or a sale of substantially all the assets of the Company as an entirety; then the Administrator shall, in such manner, to such extent (if any) and at such time as it deems appropriate and equitable in the circumstances, (a) make proportionate adjustments with respect to (1) the number of Ordinary Shares or the number and type of other securities that thereafter may be made the subject of Awards (including the specific share limits, maxima and numbers of shares set out elsewhere in the Pre-IPO ESOP), (2) the number, amount and type of Ordinary Shares (or other securities or property) subject to any or all outstanding Awards, (3) the grant, purchase, or exercise price of any or all outstanding Awards, or (4) the securities, cash or other property deliverable upon exercise or vesting of any outstanding Awards, and (b) make provision for a settlement by a cash payment or for the assumption, substitution or exchange of any or all outstanding Awards (or the cash, securities or other property deliverable to the holder(s) of any or all outstanding Awards) based upon the distribution or consideration payable to holders of the Ordinary Shares upon or in respect of such event.

4.11 Acceleration

Any acceleration of Awards pursuant to the Pre-IPO ESOP shall comply with applicable legal requirements and, if necessary to accomplish the purposes of the acceleration or if the circumstances require, may be deemed by the Administrator to occur a limited period of time not greater than 30 days before the event that triggered such acceleration. Without limiting the generality of the foregoing, the Administrator may deem an acceleration to occur immediately prior to the applicable event and/or reinstate the original terms of an Award if an event giving rise to an acceleration does not occur. The Administrator may override the above provision as to any Award by express provision in the applicable Award Agreement and may accord any Participant a right to refuse any acceleration, whether pursuant to the Award Agreement or otherwise, in such circumstances as the Administrator may approve.

4.12 Withholding tax

In any case where a tax is required to be withheld (including taxes in the PRC where applicable) in connection with the allotment of Ordinary Shares under the Pre-IPO ESOP (including the sale of Ordinary Shares as may be required to comply with foreign exchange rules in the PRC for Participants resident in the PRC), the Administrator may in its sole discretion grant (either at the time of the Award or thereafter) to the Participant the right to elect, pursuant to such rules and subject to such conditions as the Administrator may establish, to have the Company reduce the number of shares to be allotted by (or otherwise reacquire) the appropriate number of shares, valued in a consistent manner at their fair market value or at the sales price in accordance with authorized procedures for cashless exercises, necessary to satisfy the minimum applicable withholding obligation on exercise, vesting or payment. In no event shall the shares withheld exceed the minimum whole number of shares required for tax withholding under applicable law. The Company may, with the Administrator's approval, accept one or more promissory notes from any Eligible Person in connection with taxes required to be withheld upon the exercise, vesting or payment of any award under the Pre-IPO ESOP; provided that any such note shall be subject to terms and conditions established by the Administrator and the requirements of applicable law.

4.13 Amendment, modification and termination

The Board may, at any time, terminate or, from time to time, amend, modify or suspend the Pre-IPO ESOP, in whole or in part. No Awards may be granted during any period that the Board suspends the Pre-IPO ESOP. To the extent then required by applicable law or any applicable listing agency or required under applicable tax law, rules or regulations to preserve the intended tax consequences of the Pre-IPO ESOP, or deemed necessary or advisable by the Board, any amendment to the Pre-IPO ESOP shall be subject to shareholder approval.

Without limiting any other express authority of the Administrator under (but subject to) the express limits of the Pre-IPO ESOP, the Administrator by agreement or resolution may waive conditions of or limitations on Awards to Participants that the Administrator in the prior exercise of its discretion has imposed, without the consent of a Participant, and may make other changes to the terms and conditions of Awards. No amendment, suspension or termination of the Pre-IPO ESOP or change of or affecting any outstanding Award shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of the Participant or obligations of the Company under any Award granted under the Pre-IPO ESOP prior to the effective date of such change.

Outstanding share options granted

The grant of share options and restricted shares under the Pre-IPO ESOP to the grantees as set out below has been approved by the Board. The aggregate number of underlying Shares pursuant to the share options and restricted shares that could be granted under the Pre-IPO ESOP amounts to 711,946,697 Shares.

As of the Latest Practicable Date, the Company has granted share options under the Pre-IPO ESOP to 7,020 grantees (including Directors, officer and other employees of the Company) to subscribe for an aggregate of 626,184,514 Shares, a portion of which corresponding to 363,146,799 Shares has been exercised. All these 363,146,799 Shares will be issued as Class B Shares upon the Listing. No consideration has been paid by the grantees for the grant of Options under the Pre-IPO ESOP.

Assuming full issuance of Shares pursuant to all the share options granted under the Pre-IPO ESOP, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming that (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme) will be diluted by approximately 6.02%. During the Track Record Period, the Company had two categories of potential ordinary shares: Preferred Shares and share options granted under the Pre-IPO ESOP. As the Company incurred losses for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, these potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the amounts of diluted loss per share for the years ended December 31, 2017, 2018, and 2019 and the nine months ended September 30, 2019 and 2020 were the same as basic loss per share of the respective year/period.

As of the Latest Practicable date, the Company has not issued any restricted shares under the Pre-IPO ESOP. The Company will not grant further share options or restricted shares under the Pre-IPO ESOP after the Listing.

The table below shows the details of share options (including the options that have been exercised as of the Latest Practicable Date and the options that remained outstanding and unexercised as of the Latest Practicable Date) granted to the Directors, members of the senior management and other connected person of the Company under the Pre-IPO ESOP as of the Latest Practicable Date.

Name	Address	Position	Date of grant	Vesting period	Exercise Price (US\$)	Total number of Shares underlying the exercised options	Total number of Shares underlying the outstanding and unexercised options	Underlying Shares	Underlying Shares
								of the exercised options as a percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾	of the outstanding and unexercised options as a percentage of voting interest in the Company immediately after completion of the Global Offering ⁽²⁾
Su Hua	Room 2009 Building 12 Huaqing Jiayuan Haidian District Beijing the PRC	Co-founder, executive Director, Chairman of the Board, Chief Executive Officer	December 22, 2014 to April 1, 2020	4 years	0.0000053 to 0.0422	56,961,183 ⁽³⁾	5,699,103 ⁽³⁾	0.1387% ⁽³⁾	0.0518% ⁽³⁾
Cheng Yixiao	609, Unit 6 Building 1, 3 Yumin Street Shunyi District Beijing the PRC	Co-founder, executive Director, and Chief Product Officer	December 22, 2014	4 years	0.0000053	45,568,873 ⁽⁴⁾	nil ⁽⁴⁾	nil ⁽⁴⁾	nil ⁽⁴⁾
Chong Nicholas Yik Kay	101, 1/F Building 8 1 Simatai Village Miyun County Beijing, the PRC	Chief Financial Officer	March 31, 2017	4 years	0.0422	41,067,612 ⁽⁵⁾	nil ⁽⁵⁾	nil ⁽⁵⁾	nil ⁽⁵⁾

Name	Address	Position	Date of grant	Vesting period	Exercise Price (US\$)	Total number of Shares underlying the exercised options	Total number of Shares underlying the outstanding and unexercised options	Underlying Shares of the outstanding and unexercised options as a percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾	Underlying Shares of the outstanding and unexercised options as a percentage of voting interest in the Company immediately after completion of the Global Offering ⁽²⁾
								nil ⁽⁶⁾	nil ⁽⁶⁾
Chen Dingjia	702, Building B2 Lvjing Huayuan Phase 2 Intersection of Xinzhou Road West and Fuqiang Road North Futian District Shenzhen the PRC	Chief Technology Officer	January 25, 2016 to April 1, 2020	4 years	0.0422	52,961,123 ⁽⁶⁾	nil ⁽⁶⁾	nil ⁽⁶⁾	nil ⁽⁶⁾
Yin Xin	1602, 16/F Building 10 Anzhenli Yiqu Chaoyang District Beijing, the PRC	Director of Beijing Kuaishou (a significant subsidiary of our Company)	December 22, 2014 to November 1, 2018	4 years	0.0422	nil ⁽⁷⁾	293,021 ⁽⁷⁾	0.0071%	0.0027%

Notes:

- (1) Calculated on a one share one vote basis, assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Class B Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme.
- (2) Assuming (i) the Over-allotment Option is not exercised, (ii) 363,146,799 Class B Shares will be issued pursuant to the exercised options under the Pre-IPO ESOP upon Listing; and (iii) no other Class B Shares are issued pursuant to the unexercised options under the Pre-IPO ESOP, the Post-IPO Share Option Scheme and Post-IPO RSU Scheme. The percentage takes into account the weighted voting rights of Class A 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.
- (3) As of the Latest Practicable Date, under the Pre-IPO ESOP, 62,660,286 options had been granted to Su Hua. Among these 62,660,286 options, 56,961,183 options have been exercised and 56,961,183 Class B Shares will be issued to Reach Best, the entire interest of which is held on trust established for the benefit of Su Hua and his family members, upon Listing pursuant to the terms and conditions of the Pre-IPO ESOP. The remaining 5,699,103 options remain outstanding and unexercised and will be exercisable in accordance with their vesting schedules after Listing.
- (4) These options granted to Cheng Yixiao have been fully exercised and 45,568,873 Class B Shares will be issued to Ke Yong, the entire interest of which is held on trust established for the benefit of Cheng Yixiao and his family members, upon Listing pursuant to the terms and conditions of the Pre-IPO ESOP. After Listing, Cheng Yixiao will no longer hold any outstanding options pursuant to the Pre-IPO ESOP.
- (5) These options granted to Chong Nicholas Yik Kay have been fully exercised and 41,067,612 Class B Shares will be issued to the Employee Shareholding Platforms upon Listing pursuant to the terms and conditions of the Pre-IPO ESOP. After Listing, Chong Nicholas Yik Kay will no longer hold any outstanding options pursuant to the Pre-IPO ESOP.
- (6) These options granted to Chen Dingjia have been fully exercised and 52,961,123 Class B Shares will be issued to the Employee Shareholding Platforms upon Listing pursuant to the terms and conditions of the Pre-IPO ESOP. After Listing, Chen Dingjia will no longer hold any outstanding options pursuant to the Pre-IPO ESOP.
- (7) As of the Latest Practicable Date, all the options granted to Yin Xin under the Pre-IPO ESOP remained outstanding and unexercised and will be exercisable in accordance with their vesting schedules after Listing.

Rule 17.02(1)(b) of the Listing Rules requires a new applicant to disclose, among others, the details of all outstanding options and their potential dilution effect on the shareholdings upon listing. As of the Latest Practicable Date, 6,947 grantees who are not Directors, members of our senior management and other connected persons of the Company held an aggregate of 257,045,591 options that were still outstanding and unexercised as of the Latest Practicable Date. Such outstanding and unexercised options granted under the Pre-IPO ESOP will have potential dilution effect on the shareholding of our Company's Shareholders. Therefore, we set forth below the information on the outstanding and unexercised options granted under the Pre-IPO ESOP as of the Latest Practicable Date to enable potential investors to assess the potential dilution effect on their shareholding by these outstanding and unexercised options.

No.	Range of Class B Shares underlying options granted under the Pre-IPO ESOP	Total number of grantees	Total number of Class B Shares underlying the outstanding and unexercised Options	Exercise Price (US\$)	Dates of Grant	Vesting Period	Approximate percentage of equity interest in the Company (one share one vote basis) underlying the outstanding and unexercised options ⁽¹⁾	Approximate percentage of voting interest in the Company underlying the outstanding and unexercised options ⁽²⁾
1	1 to 4,999	2,555	7,715,137	0.0422	March 10, 2018 to January 7, 2021	4 years	0.1878%	0.0701%
2	5,000 to 19,999. . .	2,464	24,073,565	0.0422	June 30, 2017 to January 7, 2021	1 to 4 years	0.5860%	0.2188%
3	20,000 to 9,600,000 . . .	1,928	225,256,889	0.0422 to 16.66	December 22, 2014 to January 7, 2021	0 to 4 years	5.4831%	2.0470%
	Total	6,947	257,045,591				6.2569%	2.3359%

Notes:

- (1) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing).
- (2) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing). The percentage takes into account the weighted voting rights of the Class A 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.

The following table shows further details of the grants of share options that were outstanding and unexercised as of the Latest Practicable Date with 1 to 4,999 Class B Shares underlying each individual grant.

Exercise Price (US\$)	Total number of Class B Shares underlying the outstanding and unexercised share options	Dates of Grant	Vesting Period	Approximate percentage of equity interest in the Company (one share one vote basis) underlying the outstanding and unexercised options ⁽¹⁾	Approximate percentage of voting interest in the Company underlying the outstanding and unexercised options ⁽²⁾
0.0422	7,715,137	March 10, 2018 to January 7, 2021	4 years	0.1878%	0.0701%
Total	7,715,137			0.1878%	0.0701%

Notes:

- (1) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing, and no other Shares are issued under the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme).
- (2) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing, and no other Shares are issued under the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme). The percentage takes into account the weighted voting rights of the Class A 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.

The following table shows further details of the grants of share options that were outstanding and unexercised as of the Latest Practicable Date with 5,000 to 19,999 Class B Shares underlying each individual grant.

Exercise Price (US\$)	Total number of Class B Shares underlying the outstanding and unexercised share options	Dates of Grant	Vesting Period	Approximate percentage of equity interest in the Company (one share one vote basis) underlying the outstanding and unexercised options ⁽¹⁾	Approximate percentage of voting interest in the Company underlying the outstanding and unexercised options ⁽²⁾
0.0422	24,073,565	June 30, 2017 to January 7, 2021	1-4 years	0.5860%	0.2188%
Total	24,073,565			0.5860%	0.2188%

Notes:

- (1) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing, and no other Shares are issued under the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme).
- (2) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing, and no other Shares are issued under the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme). The percentage takes into account the weighted voting rights of the Class A 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.

The following table shows further details of the grants of share options that were outstanding and unexercised as of the Latest Practicable Date with 20,000 to 9,600,000 Class B Shares underlying each individual grant.

<u>Exercise Price (US\$)</u>	<u>Total number of Class B Shares underlying the outstanding and unexercised share options</u>	<u>Dates of Grant</u>	<u>Vesting Period</u>	<u>Approximate percentage of equity interest in the Company (one share one vote basis) underlying the outstanding and unexercised options⁽¹⁾</u>	<u>Approximate percentage of voting interest in the Company underlying the outstanding and unexercised options⁽²⁾</u>
0.0422	189,550,018	December 22, 2014 to January 7, 2021	0-4 years	4.6139%	1.7225%
3.7191 to 16.66	35,706,871	January 14, 2019 to December 17, 2020	4 years	0.8692%	0.3245%
Total	225,256,889			5.4831%	2.0470%

Notes:

- (1) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing, and no other Shares are issued under the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme).
- (2) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing, and no other Shares are issued under the unexercised options under the Pre-IPO ESOP, Post-IPO Share Option Scheme and Post-IPO RSU Scheme). The percentage takes into account the weighted voting rights of the Class A 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.

Among the 6,947 grantees who are not Directors, members of our senior management and other connected persons of the Company, two grantees held 9,599,183 and 6,416,370 outstanding and unexercised options as of the Latest Practicable Date, respectively (the “**Significant Grantees**”). Details of the Significant Grantees are set forth in the table below:

Significant Grantee	Position	Total number of Class B Shares underlying the outstanding and unexercised options	Exercise Price (US\$)	Time of Grant	Vesting Period	Approximately percentage of equity interest in the Company (one share one vote basis) underlying the outstanding and unexercised options ⁽¹⁾	Approximately percentage of voting interest in the Company underlying the outstanding and unexercised options ⁽²⁾
1.	Former employee	9,599,183	0.0422	Prior to 2019	1 to 4 years	0.2337%	0.0872%
2.	Technical expert	6,416,370	0.0422	Prior to 2019	3 years	0.1562%	0.0583%

Notes:

- (1) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing).
- (2) Assuming completion of the Global Offering (assuming the Over-allotment Option is not exercised and 363,146,799 Class B Shares are issued under the exercised options under the Pre-IPO ESOP upon Listing). The percentage takes into account the weighted voting rights of the Class A 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.

The following summarizes the number of underlying Shares of the share options granted under the Pre-IPO ESOP as of the Latest Practicable Date:

- (1) we have granted options to 7,020 grantees (including our Directors, members of senior management, connected person and other employees of our Group) to subscribe for an aggregate of 626,184,514 Shares (the “**Total Granted Options**”).
- (2) among the Total Granted Options:
 - (a) 202,550,915 options were granted to our Directors, members of senior management and connected person (including two Directors, two members of senior management and one connected person), among which, save for the 5,699,103 outstanding and unexercised options held by Su Hua, and 293,021 outstanding and unexercised options held by Yin Xin which will be exercisable in accordance with their vesting schedules after Listing, all other 196,558,791 options granted to our Directors, members of senior management and connected person have been exercised and the corresponding Class B Shares will be issued upon Listing; and
 - (b) 423,633,599 options were granted to 7,015 persons who are not our Directors, members of senior management or connected persons. Among these 7,015 grantees, 6,947 grantees held an aggregate of 257,045,591 outstanding and unexercised options which will be exercisable in accordance with their vesting schedules after Listing.

5. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) conditionally adopted by Shareholders’ written resolutions dated January 18, 2021. The terms of the Post-IPO Share Option Scheme will be governed by Chapter 17 of the Listing Rules.

5.1 Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

5.2 Selected participants to the Post-IPO Share Option Scheme

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations where of such place or, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

5.3 Maximum number of Class B Shares

The total number of Class B Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 334,195,773 Class B Shares, being no more than 10% of the Class B Shares in issue on the Listing Date (the “**Option Scheme Mandate Limit**”) (excluding any Class B Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and grants under the Post-IPO RSU Scheme). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Class B Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Class B Shares in issue from time to time (the “**Option Scheme Limit**”). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Class B Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

5.4 Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Class B Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Class B Shares in issue (the “**Individual Limit**”). Any further grant of options to a selected participant which would result in the aggregate number of Class B Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates abstaining from voting).

5.5 Performance target

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) (including a committee of the Board, the chief executive officer of the Company or person(s) to which the Board has delegated its authority) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

5.6 Subscription price

The amount payable for each Class B Share to be subscribed for under an option (“**Subscription Price**”) in the event of the option being exercised shall be determined by the Board but shall be not less than the greater of:

- (i) the closing price of a Class B Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

- (ii) the average closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Class B Share on the date of grant.

5.7 Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO Share Option Scheme.

5.8 Options granted to directors or substantial shareholders of our Company

Each grant of options to any Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options). Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Class B Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% (or any other higher percentage as may from time to time be specified by the Stock Exchange) of the Class B Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Class B Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options must also be first approved by the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, our Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. All connected persons of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

5.9 Grant of options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Class B Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof are received by the Company, provided such are received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Any offer may be accepted in respect of less than the number of Class B Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Class B Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

5.10 Restriction of grant of options

No offer shall be made and no option shall be granted to any selected participant in circumstances prohibited by the Listing Rules or at a time when the selected participant would or might be prohibited from dealing in the Class B Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any selected participant where such person is in possession of any unpublished inside information in relation to our Company until such inside information has been published in an announcement in accordance with the Listing Rules.

In particular, no offer shall be made and no option shall be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

Additionally, no offer shall be made and no option shall be granted to any Director of the Company during the period of:

- (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

5.11 Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board or its delegate(s) may from time to time determine stating that the option is thereby exercised and the number of Class B Shares in respect of which it is exercised.

5.12 Cancellation of options

Any breaches of the rules of the Post-IPO Share Option Scheme by a grantee may result in the options granted to such grantee being cancelled by the Company. Any options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Option Scheme (excluding the cancelled options) and in compliance with the terms of the Post-IPO Share Option Scheme.

5.13 Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board or its delegate(s) to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant (the **“Option Period”**);
- (ii) the expiry of any of the periods for exercising the option as referred to in paragraphs 5.16, 5.17 and 5.18 below;
- (iii) the date of commencement of the winding-up of our Company (as determined in accordance with the Companies Ordinance or the Companies Act or such other applicable law in the jurisdiction in which the winding-up takes place);
- (iv) the date on which the participant ceases to be an employee or Director, agent or consultant of our Company or any subsidiary or any entity controlled by the Company by virtue of contractual arrangements by reason of the termination of his employment or office, agency or consultancy on any one or more grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer or principal would be entitled to summarily terminate his employment or office, agency or consultancy at common law or pursuant to any applicable laws or under the participant’s service contract, terms of office, or agency or consultancy agreement or arrangement with the Company or the relevant subsidiary or the relevant entity controlled by the Company by virtue of contractual arrangements;
- (v) the date on which the grantee ceases to be a participant on or after becoming bankrupt or insolvent or making any arrangements or composition with his creditors generally;
- (vi) the date on which the participant commits a breach of the rules of the Post-IPO Share Option Scheme.

5.14 Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

5.15 Effects of alterations in the capital structure of the company

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Class B Shares comprised in each option so far as unexercised; and/or
- (ii) the aggregate number of Shares subject to outstanding options; and/or
- (iii) the Subscription Price,

or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of our Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Class B Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial advisor (as the case may be) shall be borne by our Company.

5.16 Retirement, death or permanent physical or mental disability of a selected participant

If a grantee ceases to be selected participant by reason of (i) death of the grantee, (ii) termination of the grantee's employment or contractual engagement with the Group or its affiliate by reason of his/her permanent physical or mental disablement, (iii) retirement of the grantee, the option may be exercised within the Option Period, or such other period as the Board or its delegate(s) may decide in their sole discretion.

In the case of death of a grantee, the option may be exercised within that period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong. If the option is not exercised within the time mentioned above, the option shall lapse.

If a grantee, being an employee whose employment is terminated by the Group or its affiliate (as applicable) by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the grantee having been convicted of any criminal offence involving his integrity or honesty, the option shall immediately lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his creditors generally, the option shall immediately lapse.

If a grantee being an employee ceases to be selected participant due to termination of his or her employment or contractual engagement with the Group by reason of redundancy, the option may be exercised within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

If a grantee ceases to be selected participant other than in any of the circumstances described above, unless otherwise provided in the option agreement, a grantee may exercise his or her option within three months of such cessation or within the Option Period, whichever is the shorter, or such other period as the Board or its delegate(s) may decide in their sole discretion.

5.17 Rights on takeover and schemes of compromise or arrangement

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the grantee shall be entitled to exercise the option (to the extent not already exercised) at anytime within one month (or such other period as the Board or its delegate(s) may decide in their sole discretion) after the date on which the offer becomes or is declared unconditional. If the option is not exercised within the time specified, the option shall lapse.

If a compromise or arrangement between the Company and its members or creditors is proposed, our Company shall give notice to the grantee on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may until the expiry of the period commencing with such date and ending with earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Post-IPO Share Option Scheme. Our Company may require the grantee to transfer or otherwise deal with the Class B Shares issued as a result of the exercise of options in these

circumstances so as to place the grantee in the same position, as nearly as possible, as would have been the case had such Class B Shares been subject to such compromise or arrangement. If the option is not exercised within the time specified, the option shall lapse.

5.18 Rights on a voluntary winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Class B Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Class B Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall lapse.

5.19 Ranking of Shares

The Class B Shares to be allotted upon the exercise of an option shall not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person holding the relevant Shares on behalf of the grantee) as the holder thereof. Subject as aforesaid, the Class B Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the articles of association of the Company and shall carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. For the avoidance of doubt, the Class B Shares issued upon the exercise of an option shall not be entitled to any rights attaching to such shares by reference to a record date preceding the date of allotment.

5.20 Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme.

5.21 Alteration of the Post-IPO Share Option Scheme

The Board may, subject to the rules of the Post-IPO Share Option Scheme, amend any of the provisions of the Post-IPO Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the Post-IPO Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the Post-IPO Share Option Scheme in relation to any alteration of the terms of the Post-IPO Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO Share Option Scheme which are of a material nature, or any change to the terms and conditions of options granted, must also, to be effective, be approved by the Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme. The options and the Post-IPO Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alteration to the terms of the Post-IPO Share Option Scheme must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO Share Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in the Class B Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Class B Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Class B Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Act or the Takeovers Code.

5.22 Termination

The Shareholders by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Post-IPO Share Option Scheme prior to the expiry of the Post-IPO Share Option Scheme and in such event no further options will be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO Share Option Scheme and remain unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Option Scheme.

Details of the options granted, including options exercised or outstanding, under the Post-IPO Share Option Scheme shall be disclosed in the circular to the Shareholders seeking approval of the new scheme established after the termination of the Post-IPO Share Option Scheme.

5.23 Present Status of the Post-IPO Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which may be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

6. POST-IPO RSU SCHEME

The Company has conditionally adopted the Post-IPO RSU Scheme by Shareholders' written resolutions dated January 18, 2021. The Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares. The Company may appoint a trustee (the "**Trustee**") to administer the Post-IPO RSU Scheme with respect to the grant of any Award (as defined below) by the Board or its delegate(s) (including a committee of the Board, the chief executive officer of the Company or person(s) to which the Board has delegated its authority) which may vest in the form of Class B Shares (the "**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Post-IPO RSU Scheme.

6.1 Purposes of the Post-IPO RSU Scheme

The purposes of the Post-IPO RSU Scheme is to recognize and reward Eligible Persons (as defined below) for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them so as to align the interests of the Eligible Persons with those of the Group and to further promote the long-term success of the Group's business.

6.2 RSU Awards

An award of restricted share units under the Post-IPO RSU Scheme (the "**Award(s)**") gives a participant in the Post-IPO RSU Scheme a conditional right when the Award vests to obtain either the Award Shares or an equivalent value in cash with reference to the market value of the Award Shares on or about the date of vesting, as determined by the Board or its delegate(s) in its absolute discretion. An Award may include, if so specified by the Board or its delegate(s) in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests. For the avoidance of doubt, the Board or its delegate(s) at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

6.3 RSU Participants in the Post-IPO RSU Scheme

Any individual, being an employee, Director (including executive Directors, non-executive Directors and independent non-executive Directors), officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) (an "**Eligible Person**" and, collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Post-IPO RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Post-IPO RSU Scheme.

6.4 Term of the Scheme

Subject to any early termination as may be determined by the Board and Shareholders pursuant to the Post-IPO RSU Scheme, the Post-IPO RSU Scheme shall be valid and effective for the period of 10 years commencing on the date of adoption (the “**Term of the Post-IPO RSU Scheme**”), after which no further Awards will be granted, but the provisions of the Post-IPO RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the Term of the RSU Scheme may continue to be exercisable in accordance with their terms of issue.

6.5 Grant of Awards

The Board or its delegate(s) may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board’s delegate(s), to any selected participant other than a Director or an officer of the Company) by way of an award letter (“**Award Letter**”). The Award Letter will specify the grant date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the vesting date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director or the chairman of the Company shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Class B Shares to connected persons of the Company.

6.6 Acceptance of Award

A grant shall be deemed to have been accepted when in respect of a board lot or an integral multiple thereof and to have taken effect when notice is given to the Trustee through the Company in accordance with any instructions from the Company pursuant to the notice of grant.

6.7 Restrictions on Grants

The Board or its delegate(s) may not grant any Awards to any RSU Participant in any of the following circumstances:

- (1) the requisite approvals for that grant from any applicable regulatory authorities have not been obtained; or

- (2) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant or in respect of the Post-IPO RSU Scheme, unless the Board or its delegate(s) determines otherwise; or
- (3) where the grant would result in a breach of any applicable securities laws, rules or regulations by any member of the Group or any of its directors; or
- (4) the grant would result in breach of the Post-IPO RSU Scheme Limit stipulated in paragraph 6.10 below or would otherwise cause the Company to issue Class B Shares in excess of the permitted amount in the mandate approved by the Shareholders.

6.8 Grant to Directors

Where any Award is proposed to be granted to a Director, it shall not be granted on any day on which our financial results are published and during the period of:

- 1) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- 2) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

6.9 Grant to Connected Persons

For as long as the Shares are listed on the Stock Exchange, any grant of an Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a Director pursuant to Rule 14A.95 of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant Director's remuneration under his/her service contract.

6.10 Post-IPO RSU Scheme Limit

No Award shall be granted pursuant to the Post-IPO RSU Scheme without Shareholders' approval if as a result of such grant (assumed accepted), the aggregate number of Class B Shares (being in a board lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Class B Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the Post-IPO RSU Scheme) will exceed in total 205,409,736 Shares (the "**Post-IPO RSU Scheme Limit**"), subject to an annual limit of 3% of the total number of issued shares of the Company at the relevant time. The Post-IPO RSU Scheme Limit may be refreshed from time to time pursuant to paragraph 6.12 below.

6.11 Annual Mandate

To the extent that the Company may, during the relevant period, grant RSUs pursuant to the Post-IPO RSU Scheme which may be satisfied by the Company by allotting and issuing new Class B Shares upon vesting of the RSUs, the Company shall at a general meeting propose, and the Shareholders shall consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

- (1) the maximum number of new Class B Shares that may underlie RSUs granted pursuant to the Post-IPO RSU Scheme during the relevant period; and
- (2) that the Board has the power to allot and issue Shares, procure the transfer of Shares and otherwise deal with Shares pursuant to the vesting of RSUs that are granted pursuant to the Post-IPO RSU Scheme during the relevant period as and when the RSUs vest.

The mandate referred shall remain in effect during the period from the passing of the ordinary resolution granting the mandate until the variation or revocation of such mandate by an ordinary resolution of the Shareholders in a general meeting.

6.12 Refresh of Post-IPO RSU Scheme Limit

The Post-IPO RSU Scheme Limit may be refreshed from time to time subject to prior Shareholders' approval, but in any event, the total number of Shares that underlying the RSUs granted following the date of approval of the refreshed limit (the "**New Approval Date**") under the limit as refreshed from time to time must not exceed 3% of the number of Shares in issue as at the relevant New Approval Date. Shares underlying the RSUs granted pursuant to the Post-IPO RSU Scheme (excluding Shares underlying RSU's that have lapsed or been cancelled in accordance with the Post-IPO RSU Scheme) prior to such New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the RSUs granted following the New Approval Date under the limit as renewed.

6.13 Rights attached to the Awards

The RSUs do not carry any right to vote at general meetings of the Company. No grantee shall enjoy any of the rights of a Shareholder, except the rights to dividends, distributions and capital gains, by virtue of the grant of an Award pursuant to the Post-IPO RSU Scheme, unless and until such Shares underlying the Award are actually transferred to the RSU Participant upon the vesting of the RSU.

6.14 Rights attached to the Class B Shares

The Class B Shares to be allotted and issued upon the vesting of RSUs granted pursuant to the Post-IPO RSU Scheme shall be subject to all the provisions of the Memorandum and Articles of Association of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date of transfer, or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, and accordingly shall entitle the holder of such Shares to participate in all dividends or other distributions paid or made on or after the date of transfer, or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members.

6.15 Awards to be Personal to the Grantees

Unless express written consent is obtained from the Board or its delegate(s), any Award granted pursuant to the Post-IPO RSU Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way, sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

6.16 Appointment of the Trustee

The Company may appoint a Trustee to assist with the administration and vesting of RSUs granted pursuant to the Post-IPO RSU Scheme.

Subject to the approval of the Board or its delegate(s), the Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing Class B Shares from any Shareholder or purchase existing Class B Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The Company shall procure that sufficient funds are provided to the Trustee by whatever means as the Board or its delegate(s) may determine to enable the Trustee to satisfy its obligations in connection with the administration of the Post-IPO RSU Scheme.

6.17 Vesting

The Board or its delegate(s) may from time to time while the Post-IPO RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the Trustee and the Board from time to time prior to any vesting date, the Board or its delegate(s) will send a vesting notice to the relevant selected participant and instruct the Trustee the extent to which the Award Shares held in the Trust shall be transferred and released from the Trust to the selected participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the Trustee will transfer and release the relevant Award in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Class B Shares, solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Award in Class B Shares or the Trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the Trustee to sell, on-market at the prevailing market price, the number of Award Shares so vested in respect of the selected participant and pay the selected participant the proceeds arising from such sale based on the actual selling price of such Award Shares in cash as set out in the vesting notice.

If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or its delegate(s) shall at their sole discretion determine whether the vesting dates of any Awards will be accelerated to an earlier date.

6.18 Consolidation, subdivision, bonus issue and other distribution

In the event the Company undertakes a subdivision or consolidation of the Class B Shares, corresponding changes will be made to the number of outstanding Award Shares that have been granted provided that the adjustments shall be made in such manner as the Board or its delegate(s) determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO RSU Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant vesting date. The Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the Post-IPO RSU Scheme rules for the purpose of the Post-IPO RSU Scheme.

In the event of an issue of Shares by the Company credited as fully paid to the holders of the Class B Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the Trustee as if they were Award Shares purchased by the Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Class B Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board or its delegate(s) considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding Award Shares of each selected participant as the Board or its delegate(s) shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Post-IPO RSU Scheme for the selected participants. The Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event the Company undertakes an open offer of new securities, the Trustee shall not subscribe for any new Class B Shares. In the event of a rights issue, the Trustee shall seek instructions from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

6.19 Cessation of Employment and Other Events

Except as otherwise determined by the Board or its delegate(s), upon termination of employment or service with the Company during the applicable restriction period, Awards that are at that time unvested shall be forfeited or repurchased in accordance with the terms and provisions of the grant letter and/or award agreement to be entered into by such selected participant; provided, however, that the Board or its delegate(s) may (a) provide in any grant letter and/or award agreement that restrictions or forfeiture and repurchase conditions relating to the Awards will be waived in whole or in part in the event of terminations resulting from specified causes; and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to the Awards.

If a selected participant ceases to be an Eligible Person for reasons other than those stated in this paragraph, any outstanding Award Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

6.20 Company's Repurchase Rights

The Company shall have the right to repurchase the Award Shares that the grantee has obtained as a result of the vesting of RSUs granted pursuant to this Post-IPO RSU Scheme at the par value of the Shares on the date the RSUs were granted following the occurrence of one or more of the following events:

- (a) the grantee's employment is terminated by the Company, any of its Subsidiaries or the Consolidated Affiliated Entities for cause; or
- (b) the grantee either:
 - (i) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any Competitor; or
 - (ii) knowingly performs any act that may confer a competitive benefit or advantage upon any Competitor,

at any time before or within 12 months after the grantee's employment is terminated by the Company, any of its Subsidiaries or the Consolidated Affiliated Entities for any reason.

6.21 Reorganization of Capital Structure

In the event of any alteration in the capital structure of the Company, such as capitalization issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company, the Board or its delegate(s) shall make such equitable adjustments that it considers appropriate, at its sole discretion, including:

- (1) make arrangements for the grant of substitute RSUs of equivalent fair value to an Award in the purchasing or surviving company;
- (2) reach such accommodation with the grantee as it considers appropriate, including the payment of cash compensation to the grantee equivalent to the fair value to any RSU to the extent not vested;
- (3) waive any conditions to vesting of any RSU to the extent not already vested; or
- (4) permit the continuation of an Award in accordance with its original terms.

6.22 Alteration of the Post-IPO RSU Scheme

The Post-IPO RSU Scheme may be altered in any respect (save for the Post-IPO RSU Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the Post-IPO RSU Scheme, except:

- (1) with the consent in writing of selected participants amounting to three-fourths in nominal value of all Award Shares held by the Trustee on that date; or
- (2) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all Award Shares held by the Trustee on that date.

6.23 Termination of the Post-IPO RSU Scheme

The Board or its delegate(s) may at any time terminate the operation of this Post-IPO RSU Scheme and in such event no further RSUs will be offered but in all other respects the provisions of this Post-IPO RSU Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of this Post-IPO RSU Scheme and which remain unvested immediately prior to the termination of the operation of this Post-IPO RSU Scheme.

6.24 Administration of the Post-IPO RSU Scheme

The Board has the power to administer the Post-IPO RSU Scheme in accordance with the rules of the Post-IPO RSU Scheme and, where applicable, the Trust deed, including the power to construe and interpret the rules of the Post-IPO RSU Scheme and the terms of the Awards granted under the Post-IPO RSU Scheme. The Board may delegate the authority to administer the Post-IPO RSU Scheme to a committee of the Board or other person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more independent third party contractors to assist in the administration of the Post-IPO RSU Scheme as they think fit.

6.25 General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying any Awards which may be granted pursuant to the Post-IPO RSU Scheme.

As of the Latest Practicable Date, no RSU had been granted or agreed to be granted by our Company pursuant to the Post-IPO RSU Scheme. The grant and vesting of any RSUs which may be granted pursuant to the Post-IPO RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

7. OTHER INFORMATION

7.1 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 or Consolidated Affiliated Entities.

7.2 Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Business — Legal Proceedings” in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, finance condition or results of operations.

7.3 Joint Sponsors

Morgan Stanley Asia Limited and Merrill Lynch Far East Limited, two of the Joint Sponsors, satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. China Renaissance Securities (Hong Kong) Limited, one of the Joint Sponsors, does not consider itself to be independent from our Company according to Rule 3A.07(7) of the Listing Rules as a director of the holding company of China Renaissance Securities (Hong Kong) Limited, and his/her close associate, are indirectly interested in no more than 0.105% of the total issued share capital of our Company as of the date of this prospectus through their minority interest in Mega Glory Investment Limited. Each of the Joint Sponsors will receive a fee of US\$300,000 for acting as the sponsors for the Listing.

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Class B 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, Class B Shares to be allotted and issued upon the exercise of the options which has been granted under the Pre-IPO ESOP, and Class B Shares to be issued pursuant to the restricted stock units granted under the Pre-IPO ESOP and Class B Shares which may be issued pursuant to the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme).

7.4 Preliminary expenses

The Company did not incur any material preliminary expenses.

7.5 No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since September 30, 2020 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

7.6 Promoters

Our Company has no promoter for the purpose of the Listing Rules. 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.

7.7 Taxation of holders of Shares

7.7.1 Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

7.7.2 Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

7.7.3 Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

7.8 Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Merrill Lynch Far East Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Name	Qualifications
China Renaissance Securities (Hong Kong) Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Haiwen & Partners	Legal advisers as to PRC law to our Company
Maples and Calder (Hong Kong) LLP	Legal advisors as to Cayman Islands laws to our Company
Shanghai iResearch Co., Ltd., China	Industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

7.9 Binding Effect

This prospectus shall have the effect, if an application is made pursuant to this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

7.10 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). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

7.11 Miscellaneous

- 7.11.1 Save as disclosed in “History and Corporate Structure”, “Financial Information”, Appendix I to this prospectus and the sections headed “4. Pre-IPO ESOP” and “5. Post-IPO Share Option Scheme” above, within the two years immediately preceding the date of this prospectus:
- (i) neither we nor any of our major subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our major subsidiaries and operating entities is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commission, discounts, brokerage or other special terms have been granted in connection with the issuance or sale of any shares or loan capital of any major subsidiary and operating entities;
 - (iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our major subsidiaries and operating entities;
- 7.11.2 no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- 7.11.3 there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus;

- 7.11.4 the principal register of members of our Company will be maintained in the Cayman Islands by Maple Fund Services (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- 7.11.5 no company within our Group is presently listed on any stock exchange or traded on any trading system;
- 7.11.6 our Company has no outstanding convertible debt securities or debentures;
- 7.11.7 none of the persons whose names are listed in the paragraph headed "7. Other Information — 7.8 Qualifications and Consents of Experts" above is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for, any securities in any member of our Group; and
- 7.11.8 there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

8. PARTICULARS OF THE OPTION GRANTORS

1. Name : Reach Best Developments Limited
- Place of incorporation : British Virgin Islands
- Registered office address : Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
- Description : Shareholder
- Maximum number of Option Shares : 2,247,400
2. Name : Su Hua
- Address : Room 2009 Building 12
Huaqing Jiayuan
Haidian District
Beijing
the PRC
- Description : Co-founder, executive Director, Chairman of the Board and Chief Executive Officer of the Company (Reach Best Developments Limited is controlled by Su Hua)
- Maximum number of Option Shares : 2,247,400
3. Name : Ke Yong Limited
- Place of incorporation : British Virgin Islands
- Registered office address : Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands
- Description : Shareholder
- Maximum number of Option Shares : 1,798,000

4. Name	:	Cheng Yixiao
Address	:	609, Unit 6 Building 1, 3 Yumin Street Shunyi District Beijing the PRC
Description	:	Co-founder, executive Director, Chief Product Officer of the Company (Ke Yong Limited is controlled by Cheng Yixiao)
Maximum number of Option Shares	:	1,798,000

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and 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 in the section headed “Statutory and General Information — 7. Other information — 7.8 Qualifications and consents of experts” in Appendix V to this prospectus;
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information — 2. Further Information about our Business — 2.1. Summary of material contracts” in Appendix V to this prospectus; and
- (d) the statement of particulars of the Option Grantors.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Latham & Watkins LLP at 18th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the day which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountant’s Report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the letter from PricewaterhouseCoopers and the Joint Sponsors relating to the loss estimate, the texts of which are set out in Appendix III to this prospectus;
- (e) the audited consolidated financial statements of our Group for the three years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020;
- (f) the report issued by Shanghai iResearch Co., Ltd., China, the summary of which is set out in the section headed “Industry Overview” in this prospectus;

- (g) the legal opinion issued by Haiwen & Partners, our PRC Legal Advisor, in respect of certain aspects of our Group in the PRC;
- (h) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our Cayman legal advisors, in respect of certain aspects of the Cayman Companies Act referred to in Appendix IV to this prospectus;
- (i) the material contracts referred to in the section headed “Statutory and General Information — 2. Further Information about our Business — 2.1 Summary of material contracts” in Appendix V to this prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information — 7. Other Information — 7.8 Qualifications and consents of experts” in Appendix V to this prospectus;
- (k) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information — 3. Further Information about our Directors and Substantial Shareholders — 3.3 Directors’ service contracts and appointment letter” in Appendix V to this prospectus;
- (l) the terms of the Pre-IPO ESOP;
- (m) the terms of the Post-IPO Share Option Scheme;
- (n) the terms of the Post-IPO RSU Scheme;
- (o) the Cayman Companies Act; and
- (p) the statement of particulars of the Option Grantors.

