UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

Commission File Number: 001-40253

Zhihu Inc.

(Exact Name of Registrant as Specified in Its Charter)
N/A

(Translation of Registrant's Name into English)
Cayman Islands

(Jurisdiction of Incorporation or Organization)
18 Xueqing Road
Haidian District, Beijing 100083
People's Republic of China

(Address of Principal Executive Offices)
Han Wang, Chief Financial Officer
Telephone: +86 (10) 8271-6605
Email: wanghan03@zhihu.com
18 Xueqing Road
Haidian District, Beijing 100083
People's Republic of China

(Name, Telephone, Email and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12 (b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
American depositary shares (each representing 0.5 Class A ordinary shares, par value US$0.000125 per share)	**ZH**	**New York Stock Exchange**
Class A ordinary shares, par value US$0.000125 per share	**2390**	**The Stock Exchange of Hong Kong Limited**

Securities registered or to be registered pursuant to Section 12 (g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15 (d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 287,355,642 Class A ordinary shares (excluding 2,218,347 Class A ordinary shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plan), par value US$0.000125 per share, and 18,145,605 Class B ordinary shares, par value US$0.000125 per share, as of December 31, 2023.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐	Emerging Growth Company	☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒	International Financial Reporting Standards as issued by the International Accounting Standards Board ☐	Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐ No

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INTRODUCTION

In this annual report, unless otherwise indicated or unless the context otherwise requires:

- "ADRs" refers to the American depositary receipts that evidence the ADSs;
- "ADSs" refers to the American depositary shares, two of which represent one Class A ordinary share;
- "CCASS" refers to the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
- "China" or "PRC" refers to the People's Republic of China;
- "content creators" refers to users who have generated at least one piece of content;
- "Hong Kong" refers to the Hong Kong Special Administrative Region of the People's Republic of China;
- "Hong Kong dollars" or "HK$" refers to Hong Kong dollars, the lawful currency of Hong Kong;
- "Hong Kong Listing Rules" refers to 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;
- "Hong Kong Stock Exchange" refers to The Stock Exchange of Hong Kong Limited;
- "Macao" refers to the Macao Special Administrative Region of the People's Republic of China;
- "mobile MAUs" refers to the number of mobile devices that launch our mobile apps at least once in a given month;
- "monthly active users" or "MAUs" refers to the sum of our mobile MAUs and the number of logged-in users who visit our PC or mobile website at least once in a given month, after eliminating duplicates. "average MAUs" for a period is calculated by dividing the sum of MAUs for each month during a specified period by the number of months in the period;
- "monthly subscribing members" refers to the number of our Yan Selection members in a specified month; and "average monthly subscribing members" for a period is calculated by dividing the sum of monthly subscribing members for each month during a specified period by the number of months in the period;
- "ordinary shares" or "shares" refers to our Class A ordinary shares and Class B ordinary shares, par value US$0.000125 per share;
- "PCAOB" refers to Public Company Accounting Oversight Board, a nonprofit corporation established by the United States Congress to oversee the audits of public companies, among others;
- "piece of content" refers to any piece of questions, answers, articles, videos, groups, or live streaming in our community;
- "Renminbi" or "RMB" refers to the legal currency of China;
- "SEC" refers to the United States Securities and Exchange Commission;
- "SFC" refers to Securities and Futures Commission of Hong Kong;
- "UGC" refers to user-generated content;

- "U.S. dollars" or "US$" refers to the legal currency of the United States;

- "VIEs" refers to variable interest entities, which are companies established in China that have entered into a series of contractual arrangements with their respective shareholders and our PRC subsidiaries. Under these contractual arrangements, Zhihu Inc. has a "controlling financing interest" in the VIEs as defined in FASB ASC 810 so that it is considered the primary beneficiary of the VIEs for accounting purposes only and thus consolidates each of these entities under U.S. GAAP. The VIEs that Zhihu Inc. consolidates under U.S. GAAP include Beijing Zhizhe Tianxia Technology Co., Ltd., or Zhizhe Tianxia, Shanghai Pinzhi Education Technology Co., Ltd., or Shanghai Pinzhi, Shanghai Biban Network Technology Co., Ltd., or Shanghai Biban, and Wuhan Xinyue Network Technology Co., Ltd., or Wuhan Xinyue;

- "WFOEs" refers to wholly foreign-owned enterprises, and "our WFOEs" refers to Zhizhe Sihai (Beijing) Technology Co., Ltd., or Zhizhe Sihai, Shanghai Zhishi Technology Co., Ltd., or Shanghai Zhishi, Shanghai Paya Information Technology Co., Ltd., or Shanghai Paya, and Wuhan Bofeng Technology Co., Ltd., or Wuhan Bofeng; and

- "Zhihu," "we," or "our company" refers to Zhihu Inc., a Cayman Islands holding company, and its subsidiaries (where the context requires, in respect of the period prior to our company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our company at the relevant time) and, in the context of describing our operations and consolidated financial information, the VIEs and their respective subsidiaries, unless otherwise indicated herein. For the avoidance of confusion, "our holding company" or "Zhihu Inc." only refers to Zhihu Inc., and unless the context requires otherwise, include its predecessor entities; "our subsidiaries" refers to the entities in which Zhihu Inc. holds direct or indirect equity ownership, and thus consolidates their financial results; for "variable interest entities" or "VIEs," see stand-alone definition sets forth above. Zhihu Inc. does not conduct operations of its own and does not have any equity ownership in the VIEs.

Any discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

Our reporting currency is Renminbi. This annual report contains translations from Renminbi to U.S. dollars solely for the convenience of the reader. Unless otherwise stated, all translations from Renminbi to U.S. dollars were made at a rate of RMB7.0999 to US$1.00, which was the exchange rate in effect as of December 29, 2023 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. The exchange rate in effect as of April 19, 2024 was RMB7.2403 to US$1.00. We make no representation that any Renminbi amounts referred to in this annual report could have been, or could be, converted into U.S. dollars at any particular rate, or at all.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that reflect our current expectations and views of future events. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Known and unknown risks, uncertainties and other factors, including those included in "Item 3. Key Information—D. Risk Factors," may cause our actual results, performance, or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as "may," "might," "will," "would," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "is/are likely to," "future," "potential," "continue," or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy, and financial needs. These forward-looking statements include statements relating to:

- our goals and strategies,

- our future business development, financial condition, and results of operations,

- the expected outlook of the online content market in China,

- our expectations regarding demand for and market acceptance of our products and services,
- our expectations regarding our relationships with our users, clients, business partners, and other stakeholders,
- competition in our industry,
- government policies and regulations relating to our industry, and
- general economic and business conditions globally and in China.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in "Item 3. Key Information—D. Risk Factors," "Item 4. Information on the Company—B. Business Overview," "Item 5. Operating and Financial Review and Prospects," and other sections in this annual report. You should read thoroughly this annual report and the documents that we refer to in this annual report with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

We operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

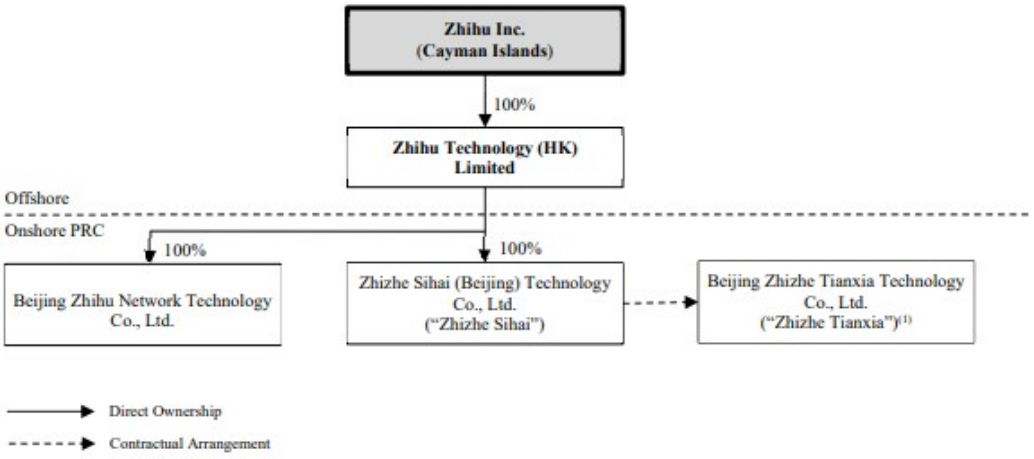
Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

Our Holding Company Structure and Contractual Arrangements with the VIEs and Their Shareholders

The following diagram illustrates our corporate structure, including our principal subsidiaries and the VIEs, as of the date of this annual report.



Notes:

(1) Yuan Zhou and Dahai Li, our director and chief technology officer, each holds 98.941% and 0.059% of the equity interests in Zhizhe Tianxia, respectively, and Beijing Radio and Television Station, a third-party minority shareholder, holds 1% of the equity interests in Zhizhe Tianxia.

(2) Yuan Zhou and Rongle Zhang, our employee, each holds 99.0% and 1.0% of the equity interests in Wuhan Xinyue, one of the VIEs. Wuhan Xinyue and its shareholders entered into a series of contractual arrangements with our PRC subsidiary Wuhan Bofeng. Wuhan Xinyue owns, through its subsidiaries, 55% equity interests in each of Shanghai Pinzhi and Shanghai Biban. Shanghai Pinzhi and its shareholders entered into a series of contractual arrangements with our PRC subsidiary Shanghai Zhishi, and Shanghai Biban and its shareholders entered into a series of contractual arrangements with our PRC subsidiary Shanghai Paya.

Zhihu Inc. is a Cayman Islands holding company with no equity ownership in its VIEs and their subsidiaries and not a Chinese operating company. We conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIEs, with which we have maintained contractual arrangements, and their subsidiaries. PRC laws and regulations restrict and impose conditions on foreign investment in value-added telecommunication services and certain other businesses. Accordingly, we operate these businesses in China through the VIEs and their subsidiaries, and rely on contractual arrangements among our PRC subsidiaries, the VIEs, and their nominee shareholders to direct the business operations of the VIEs. Such structure enables investors to share economic interests in China-based companies in sectors where foreign direct investment is prohibited or restricted under PRC laws and regulations. Revenues contributed by the VIEs accounted for 25.9%, 43.0%, and 58.3% of our total revenues in 2021, 2022, and 2023, respectively. As used in this annual report, "we," "our company," or "Zhihu" refers to Zhihu Inc., its subsidiaries, and, in the context of describing our operations and consolidated financial information, the VIEs in China, including Zhizhe Tianxia, Shanghai Pinzhi, Shanghai Biban, and Wuhan Xinyue. Investors in the ADSs are not purchasing any equity interest in the VIEs in China but instead are purchasing equity interest in a holding company incorporated in the Cayman Islands, and may never directly hold equity interests in the VIEs in China.

A series of contractual agreements, including exclusive business cooperation agreement or exclusive technology development, consultancy and services agreements, shareholders' rights entrustment agreement or powers of attorney, share pledge agreements, and exclusive option agreements, have been entered into by and among our PRC subsidiaries, the VIEs, and the VIEs' nominee shareholders. There is no material difference between the effect of each set of contractual arrangements. As advised by Jingtian & Gongcheng, our PRC legal counsel, (i) as of the date of this annual report, the ownership structures of our WFOEs and the VIEs in China do not violate any applicable and explicit PRC laws and regulations currently in effect; (ii) subject to the disclosure in this annual report, each agreement of the contractual arrangements between our WFOEs, the VIEs, and the VIEs' nominee shareholders governed by PRC law is valid, binding, and enforceable in accordance with their terms, subject to enforceability to applicable laws affecting creditors' rights generally, the discretion of the government authorities in exercising their authority in connection with the interpretation and implementation thereof and the application of PRC laws and policies thereto, and general equity principles; and (iii) each of said agreement does not violate any applicable and explicit PRC laws currently in effect. As a result of the contractual arrangements, we are considered the primary beneficiary of the VIEs for accounting purposes, and Zhihu Inc. has consolidated the results of operations, financial position, and cash flows of the VIEs in its consolidated financial statements under U.S. GAAP. The contractual arrangements with the VIEs provide us with a "controlling financial interest" in the VIEs as defined in FASB ASC 810 by entitling us to (i) the power to direct activities of the VIEs that most significantly affect their economic performance, and (ii) the right to receive the economic benefits from the VIEs that could be significant to them. Neither Zhihu Inc. nor its investors has an equity ownership (including foreign direct investment) in, or control through such equity ownership of, the VIEs, and the contractual arrangements are not equivalent to an equity ownership in the business of the VIEs. For more details of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIEs and Their Shareholders."

However, the contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs and their subsidiaries and we may incur substantial costs to enforce the terms of the arrangements. As such, the VIE structure involves unique risks to investors of our Cayman Islands holding company. In addition, the legality and enforceability of the contractual agreements by and among our PRC subsidiaries, the VIEs, and the VIEs' nominee shareholders, as a whole, have not been tested in a court of law in China. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—Our contractual arrangements may not be as effective in providing operational control as direct ownership and shareholders of the VIEs may fail to perform their obligations under our contractual arrangements." and "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—The equity holders, directors, and executive officers of the VIEs, as well as our employees who execute other strategic initiatives may have potential conflicts of interest with our company."

There are also substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the VIEs and their nominee shareholders. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or, if adopted, what they would provide. If we or any of the VIEs is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required licenses, permits, registrations, or approvals, the PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations" and "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—Our current corporate structure and business operations may be affected by the Foreign Investment Law."

Our corporate structure is subject to risks associated with our contractual arrangements with the VIEs. If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the applicable industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our Cayman Islands holding company, our PRC subsidiaries, and the VIEs and their subsidiaries, and investors of our company face uncertainty with respect to potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a whole. The PRC regulatory authorities could disallow the VIE structure, which would likely result in a material change in our operations and cause the value of our securities, including those that we may register for sale, to significantly decline or become worthless. For a detailed description of the risks associated with our corporate structure, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure."

We face various legal and operational risks and uncertainties relating to doing business in China. Our business operations are primarily conducted in China, and we are subject to complex and evolving PRC laws and regulations. For example, the PRC government issued statements and regulatory actions relating to areas such as the use of contractual arrangements in certain industries, regulatory approvals on overseas offerings and listings by, and foreign investment in, China-based issuers, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. It remains uncertain how PRC government authorities will regulate overseas listings and offerings in general and whether we can fully comply with the regulatory requirements, including completing filings with the China Securities Regulatory Commission, or the CSRC, pursuant to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Overseas Listing Trial Measures, and five supporting guidelines released by the CSRC and effective on March 31, 2023, and whether we are required to complete other filings or obtain any specific regulatory approvals from the CSRC, the Cyberspace Administration of China, or the CAC, or any other PRC government authorities for our overseas offerings and listings, as applicable. In addition, if future regulatory developments mandate clearance of cybersecurity review or other specific actions to be completed by China-based companies listed on foreign stock exchanges, such as us, we face uncertainties as to whether such clearance can be timely obtained, or at all. These risks may impact our ability to conduct certain businesses, accept foreign investments, or list and conduct offerings on a stock exchange in the United States or another foreign country. These risks could result in a material adverse change in our operations and the value of our Class A ordinary shares and the ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline or become worthless. For a detailed description of risks relating to doing business in China, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China."

The PRC government's significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature, such as data security or anti-monopoly related regulations, may cause the value of such securities to significantly decline. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC government's oversight over our business operations could result in a material adverse change in our operations and the value of our Class A ordinary shares and the ADSs."

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our Class A ordinary shares and the ADSs. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The legal system in China embodies uncertainties which could limit the legal protections available to us or impose additional requirements and obligations on our business, and PRC laws, rules, and regulations can evolve quickly, which may materially and adversely affect our business, financial condition, and results of operations."

The Holding Foreign Companies Accountable Act

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA , as amended by the Consolidated Appropriations Act, 2023, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we were not identified as a Commission-Identified Issuer under the HFCAA after we filed our annual report on Form 20-F for the fiscal year ended December 31, 2022 and do not expect to be so identified after we file this annual report on Form 20-F for the fiscal year ended December 31, 2023.

Each year, the PCAOB will determine whether it can inspect and investigate completely registered public accounting firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading in the United States under the HFCAA. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past had deprived our investors with the benefits of such inspections” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely registered public accounting firms located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our PRC subsidiaries and the VIEs in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, as advised by Jingtian & Gongcheng, our PRC legal counsel, except as disclosed in this annual report and subject to the uncertainties with respect to the interpretation and application of PRC laws, regulations, and policies, our PRC subsidiaries, the VIEs, and the VIEs' subsidiaries have obtained the requisite licenses, permits, filings, and approvals from the PRC government authorities that are material for their business operations in China, including, among others, Value-Added Telecommunication Business Operation Licenses, or ICP Licenses, Internet Cultural Business Licenses, Radio and Television Program Production and Operation Licenses, Publication Operation Licenses, Filing Certificate for Internet Medicines and Medical Appliances Information Service, Internet Audio-Visual Program Transmission License, Internet Religious Information Service License, and the Filing Certificate of Food Operation. However, given the uncertainties of interpretation and implementation of the laws and regulations and the enforcement practice by government authorities, we cannot assure you that our PRC subsidiaries and the VIEs have obtained all the permits or licenses required for conducting businesses in China. And we may be required to obtain additional licenses, permits, filings, or approvals for our business operations in the future. We cannot assure you that we will be able to obtain such additional licenses, permits, qualifications, or approvals in a timely manner, or at all. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—If we fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment applicable to our businesses in China, or if we are required to take compliance actions in this regard, our business, financial condition, and results of operations may be materially and adversely affected."

For example, on December 28, 2021, the CAC and several other PRC government authorities jointly issued the Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that intend to purchase internet products and services and internet platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. The Cybersecurity Review Measures further stipulate that if an internet platform operator has personal information of over one million users and pursues a foreign listing, it must be subject to the cybersecurity review. In addition, on February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Overseas Offering and Listing Measures, which came into effect on March 31, 2023. On the same day, the CSRC also published a series of guidance rules and Q&As in connection with the implementation of the Overseas Offering and Listing Measures. The Overseas Offering and Listing Measures establishes a new filing-based regime to regulate overseas offerings and listings by PRC domestic companies, according to which an overseas offering of securities (including shares, depository receipts, corporate bonds convertible into shares and other securities in nature of equity) and listing by a PRC domestic company, either in direct or indirect manner, has to be filed with the CSRC. On February 17, 2023, the CSRC also held a press conference for the release of the Overseas Offering and Listing Measures, which, among other things, clarifies that companies that have already been listed overseas before March 31, 2023, the effective date of the Overseas Offering and Listing Measures, are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC.

As of the date of this annual report, we have not been asked to obtain or denied any permission by any PRC government authority in connection with our historical issuances of securities to foreign investors. Based on the foregoing and pursuant to current PRC laws and regulations and in connection with our historical issuances of securities to foreign investors that have been completed before the effective date of the Overseas Offering and Listing Measures, as advised by Jingtian & Gongcheng, our PRC legal counsel, we, our PRC subsidiaries, and the VIEs, (i) are not required to obtain permissions from the CSRC despite that we shall be required to go through filing procedures with the CSRC for our future issuance or offering of securities (including shares, depository receipts, corporate bonds convertible into shares, and other securities in nature of equity) to foreign investors if we meet certain conditions set forth in the Overseas Offering and Listing Measures for an indirect overseas offering and listing by a PRC domestic company, and (ii) are not required to go through cybersecurity review by the CAC. However, if any of our holding company, our PRC subsidiaries, and the VIEs are deemed to be a critical information infrastructure operator or a network platform operator, whose network product or service purchasing or data processing activities affect or may affect national security, we would be required to go through a cybersecurity review by the CAC.

However, the PRC government has indicated an intent to exert more oversight and control over offerings that are conducted overseas by, and foreign investment in, China-based issuers, and has promulgated certain regulations and rules in this respect. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC government's oversight over our business operations could result in a material adverse change in our operations and the value of our Class A ordinary shares and the ADSs."

Cash and Asset Flows Through Our Organization

Zhihu Inc. is a holding company with no operations of its own. We conduct our operations in China primarily through our PRC subsidiaries and VIEs in China. As a result, although other means are available for us to obtain financing at the holding company level, Zhihu Inc.'s ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our PRC subsidiaries and service fees paid by the VIEs and their subsidiaries. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to Zhihu Inc. In addition, under PRC laws and regulations, our PRC subsidiaries are permitted to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Furthermore, our PRC subsidiaries and VIEs and their subsidiaries are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Holding Company Structure."

The VIEs may transfer cash to the relevant WFOE by paying service fees according to the exclusive business cooperation agreement or exclusive technology development, consultancy and services agreements. In 2021, 2022, and 2023, the total amount of such service fees that VIEs paid to the relevant WFOE under the applicable agreements was RMB45.6 million, RMB896.3 million, and RMB834.5 million (US$117.5 million), respectively.

Under PRC laws and regulations, our PRC subsidiaries and the VIEs and their subsidiaries are subject to certain restrictions with respect to payment of dividends or otherwise transfers of any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by the PRC State Administration of Foreign Exchange, or SAFE. These restrictions are benchmarked against the paid-up capital and the statutory reserve funds of our PRC subsidiaries and the net assets of the VIEs in which we have no legal ownership. As of December 31, 2021, 2022, and 2023, the total amount of such restriction to which our PRC subsidiaries and the VIEs and their subsidiaries are subject was RMB3.6 billion, RMB3.1 billion, and RMB2.3 billion (US$328.3 million), respectively. For risks relating to the fund flows of our operations in China, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could materially and adversely affect our ability to conduct our business or financial condition."

Under PRC laws, Zhihu Inc. may fund its PRC subsidiaries only through capital contributions or loans, and fund the VIEs or their subsidiaries only through loans, subject to satisfaction of applicable government registration and approval requirements. As of December 31, 2021, 2022, and 2023, the aggregate amount of capital contribution by Zhihu Inc. to its intermediate holding companies and subsidiaries was RMB10.5 billion, RMB10.3 billion, and RMB10.0 billion (US$1.4 billion), respectively, and the outstanding balance of the principal amount of loans to the VIEs and their subsidiaries was RMB51.7 million, RMB51.7 million, and RMB51.7 million (US$7.3 million), respectively.

In 2021, 2022, and 2023, no assets other than cash were transferred through our organization.

Zhihu Inc. has not declared or paid any cash dividends since the listing of its ADSs on the New York Stock Exchange in March 2021, nor does it have any present plan to pay any cash dividends on its ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy." For PRC and United States federal income tax considerations of an investment in our ADSs, see "Item 10. Additional Information—E. Taxation."

A. [Reserved]

Selected Financial Data

The following selected consolidated statements of operations data and selected consolidated statements of cash flow data for the years ended December 31, 2021, 2022, and 2023, and the selected consolidated balance sheet data as of December 31, 2022 and 2023 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. Our historical results are not necessarily indicative of results expected for future periods. You should read this selected financial data together with our audited consolidated financial statements and the related notes and information under "Item 5. Operating and Financial Review and Prospects" in this annual report. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

The following table sets forth our selected consolidated statements of operations data for the years indicated.

	For the Year Ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands)			
Selected Consolidated Statements of Operations Data:				
Revenues	**2,959,324**	**3,604,919**	**4,198,889**	**591,401**
Cost of revenues	(1,405,423)	(1,796,867)	(1,903,041)	(268,038)
Gross profit	**1,553,901**	**1,808,052**	**2,295,848**	**323,363**
Selling and marketing expenses	(1,634,733)	(2,026,468)	(2,048,090)	(288,467)
Research and development expenses	(619,585)	(763,362)	(901,452)	(126,967)
General and administrative expenses	(690,292)	(621,973)	(418,531)	(58,949)
Total operating expenses	**(2,944,610)**	**(3,411,803)**	**(3,368,073)**	**(474,383)**
Loss from operations	**(1,390,709)**	**(1,603,751)**	**(1,072,225)**	**(151,020)**
Investment income	59,177	70,380	41,695	5,873
Interest income	31,305	68,104	158,671	22,348
Fair value change of financial instruments	27,846	(176,685)	(5,170)	(728)
Exchange (losses)/gains	(16,665)	71,749	97	14
Others, net	(4,391)	5,983	49,236	6,935
Loss before income tax	**(1,293,437)**	**(1,564,220)**	**(827,696)**	**(116,578)**
Income tax expense	(5,443)	(14,183)	(11,832)	(1,667)
Net loss	**(1,298,880)**	**(1,578,403)**	**(839,528)**	**(118,245)**
Net income attributable to noncontrolling interests	—	(2,754)	(4,113)	(579)
Accretions of convertible redeemable preferred shares to redemption value	(170,585)	—	—	—
Net loss attributable to Zhihu Inc.'s shareholders	**(1,469,465)**	**(1,581,157)**	**(843,641)**	**(118,824)**
Net loss per share				
Basic	(6.12)	(5.19)	(2.82)	(0.40)
Diluted	(6.12)	(5.19)	(2.82)	(0.40)
Weighted average shares used in net loss per share				
Basic	240,174,108	304,836,318	299,132,894	299,132,894
Diluted	240,174,108	304,836,318	299,132,894	299,132,894

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

	As of December 31,		
	2022	2023	
	RMB	RMB	US$
		(in thousands)	
Selected Consolidated Balance Sheet Data:			
Cash and cash equivalents	4,525,852	2,106,639	296,714
Term deposits	948,390	1,586,469	223,449
Short-term investments	787,259	1,769,822	249,274
Total current assets	**7,319,799**	**6,377,880**	**898,305**
Goodwill	126,344	191,077	26,913
Intangible assets, net	80,237	122,645	17,274
Total non-current assets	**336,440**	**417,392**	**58,789**
Total assets	**7,656,239**	**6,795,272**	**957,094**
Accounts payable and accrued liabilities	916,112	1,038,531	146,274
Salary and welfare payables	283,546	342,125	48,187
Contract liabilities	355,626	303,574	42,758
Total current liabilities	**1,824,841**	**1,945,488**	**274,017**
Net current assets	**5,494,958**	**4,432,392**	**624,288**
Total non-current liabilities	**137,130**	**148,174**	**20,869**
Total liabilities	**1,961,971**	**2,093,662**	**294,886**
Net assets	**5,694,268**	**4,701,610**	**662,208**
Total shareholders' equity	**5,694,268**	**4,701,610**	**662,208**
Total liabilities and shareholders' equity	**7,656,239**	**6,795,272**	**957,094**

The following table sets forth our selected consolidated statements of cash flow data for the years indicated.

	For the Year Ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
		(in thousands)		
Selected Consolidated Statements of Cash Flow Data:				
Net cash used in operating activities	(440,234)	(1,114,954)	(415,527)	(58,525)
Net cash (used in)/provided by investing activities	(3,136,503)	3,490,467	(1,681,140)	(236,784)
Net cash provided by/(used in) financing activities	4,876,247	(108,350)	(365,056)	(51,417)
Effect of exchange rate changes on cash and cash equivalents	(100,169)	101,528	42,510	5,987
Net increase/(decrease) in cash and cash equivalents	1,199,341	2,368,691	(2,419,213)	(340,739)
Cash and cash equivalents at the beginning of the year	957,820	2,157,161	4,525,852	637,453
Cash and cash equivalents at the end of the year	2,157,161	4,525,852	2,106,639	296,714

Financial Information Relating to the VIEs

The following tables present the condensed consolidating schedules for our consolidated variable interest entities and other entities for the years and as of the dates indicated.

Selected Condensed Consolidated Statements of Operations and Comprehensive Loss Data

	For the Year Ended December 31, 2023					
	Parent Company	Other Subsidiaries	WFOEs as Primary Beneficiaries	VIEs and Their Subsidiaries	Eliminations	Consolidated Total
	(RMB in thousands)					
Inter-company revenues[1][4]	—	152,279	1,671,378	485	(1,824,142)	—
Third-party revenues	—	1,716,008	37,051	2,445,830	—	4,198,889
Inter-company cost and operating expenses [1][4]	—	(814,448)	(106,363)	(903,331)	1,824,142	—
Third-party cost and operating expenses	(45,625)	(1,101,619)	(2,529,283)	(1,594,587)	—	(5,271,114)
Operating loss	**(45,625)**	**(47,780)**	**(927,217)**	**(51,603)**	**—**	**(1,072,225)**
Other income, net	17,988	128,371	77,868	20,302	—	244,529
Loss of the VIEs	—	—	(36,613)	—	36,613	—
Share of (loss)/income of subsidiaries[2]	(816,004)	(885,674)	4,294	—	1,697,384	—
Loss before income tax	**(843,641)**	**(805,083)**	**(881,668)**	**(31,301)**	**1,733,997**	**(827,696)**
Income tax expense	—	(756)	(4,006)	(7,070)	—	(11,832)
Net loss	**(843,641)**	**(805,839)**	**(885,674)**	**(38,371)**	**1,733,997**	**(839,528)**
Net (income)/loss attributable to noncontrolling interests	—	(5,871)	—	1,758	—	(4,113)
Foreign currency translation adjustments	45,257	(411,624)	1,874	—	409,750	45,257
Comprehensive loss attributable to Zhihu Inc.'s shareholders	**(798,384)**	**(1,223,334)**	**(883,800)**	**(36,613)**	**2,143,747**	**(798,384)**

	For the Year Ended December 31, 2022					
	Parent Company	Other Subsidiaries	WFOEs as Primary Beneficiaries	VIEs and Their Subsidiaries	Eliminations	Consolidated Total
	(RMB in thousands)					
Inter-company revenues[1][4]	—	143,888	1,930,305	866	(2,075,059)	—
Third-party revenues	—	2,034,032	22,884	1,548,003	—	3,604,919
Inter-company cost and operating expenses [1] [4]	—	(1,358,890)	(133,729)	(582,440)	2,075,059	—
Third-party cost and operating expenses	(79,908)	(845,652)	(3,303,022)	(980,088)	—	(5,208,670)
Operating loss	**(79,908)**	**(26,622)**	**(1,483,562)**	**(13,659)**	**—**	**(1,603,751)**
Other income/(expenses), net	1,543	46,718	(18,182)	9,452	—	39,531
Loss of the VIEs	—	—	(11,027)	—	11,027	—
Share of (loss)/income of subsidiaries[2]	(1,502,792)	(1,507,326)	9,097	—	3,001,021	—
Loss before income tax	**(1,581,157)**	**(1,487,230)**	**(1,503,674)**	**(4,207)**	**3,012,048**	**(1,564,220)**
Income tax expense	—	(3,583)	(3,652)	(6,948)	—	(14,183)
Net loss	**(1,581,157)**	**(1,490,813)**	**(1,507,326)**	**(11,155)**	**3,012,048**	**(1,578,403)**
Net (income)/loss attributable to noncontrolling interests	—	(2,882)	—	128	—	(2,754)
Foreign currency translation adjustments	273,310	(276,630)	9,350	—	267,280	273,310
Comprehensive loss attributable to Zhihu Inc.'s shareholders	**(1,307,847)**	**(1,770,325)**	**(1,497,976)**	**(11,027)**	**3,279,328**	**(1,307,847)**

	For the Year Ended December 31, 2021					
	Parent Company	Other Subsidiaries	WFOEs as Primary Beneficiaries	VIEs and its Subsidiaries	Eliminations	Consolidated Total
	(RMB in thousands)					
Inter-company revenues[1][4]	—	85,835	1,817,488	196	(1,903,519)	—
Third-party revenues	—	2,187,253	6,039	766,032	—	2,959,324
Inter-company cost and operating expenses [1] [4]	—	(1,487,138)	(85,844)	(330,486)	1,903,468	—
Third-party cost and operating expenses	(30,019)	(796,752)	(3,064,855)	(458,407)	—	(4,350,033)
Operating loss	**(30,019)**	**(10,802)**	**(1,327,172)**	**(22,665)**	**(51)**	**(1,390,709)**
Other (expenses)/income, net	(400)	51,461	41,326	4,834	51	97,272
Loss of the VIEs	—	—	(21,266)	—	21,266	—
Share of loss of subsidiaries[2]	(1,268,461)	(1,308,592)	(1,480)	—	2,578,533	—
Loss before income tax	**(1,298,880)**	**(1,267,933)**	**(1,308,592)**	**(17,831)**	**2,599,799**	**(1,293,437)**
Income tax expense	—	(2,008)	—	(3,435)	—	(5,443)
Net loss	**(1,298,880)**	**(1,269,941)**	**(1,308,592)**	**(21,266)**	**2,599,799**	**(1,298,880)**
Foreign currency translation adjustments	(143,190)	(65,566)	—	—	65,566	(143,190)
Accretions of convertible redeemable preferred shares to redemption value	(170,585)	—	—	—	—	(170,585)
Comprehensive loss attributable to Zhihu Inc.'s shareholders	**(1,612,655)**	**(1,335,507)**	**(1,308,592)**	**(21,266)**	**2,665,365**	**(1,612,655)**

Selected Condensed Consolidated Balance Sheet Data

	As of December 31, 2023					
	Parent Company	Other Subsidiaries	WFOEs as Primary Beneficiaries	VIEs and their Subsidiaries	Eliminations	Consolidated Total
	(RMB in thousands)					
Cash and cash equivalents	2,871	780,495	964,638	358,635	—	2,106,639
Term deposits	70,827	1,515,642	—	—	—	1,586,469
Short-term investments	—	437,608	1,246,913	85,301	—	1,769,822
Trade receivables	—	544,916	3,811	115,888	—	664,615
Amounts due from related parties	—	2,199	14,251	1,869	—	18,319
Amounts due from group companies[3][4]	45,778	184,311	514,397	34,099	(778,585)	—
Prepayments and other current assets	19,277	68,480	62,969	81,290	—	232,016
Total current assets	**138,753**	**3,533,651**	**2,806,979**	**677,082**	**(778,585)**	**6,377,880**
Property and equipment, net	—	969	9,391	489	—	10,849
Intangible assets, net	—	10,620	4,544	107,481	—	122,645
Goodwill	—	22,831	—	168,246	—	191,077
Net assets of the VIEs	—	—	(39,918)	—	39,918	—
Investment in subsidiaries[2]	4,578,292	2,765,503	49,354	—	(7,393,149)	—
Long-term investments, net	—	44,621	—	—	—	44,621
Right-of-use assets	—	5,796	30,210	4,205	—	40,211
Other non-current assets	—	84	50	7,855	—	7,989
Total non-current assets	**4,578,292**	**2,850,424**	**53,631**	**288,276**	**(7,353,231)**	**417,392**
Total assets	**4,717,045**	**6,384,075**	**2,860,610**	**965,358**	**(8,131,816)**	**6,795,272**
Accounts payable and accrued liabilities	11,344	302,958	448,760	275,469	—	1,038,531
Salary and welfare payables	—	21,617	298,093	22,415	—	342,125
Taxes payable	—	3,891	6,795	10,708	—	21,394
Contract liabilities	—	71,748	518	231,308	—	303,574
Amounts due to related parties	—	14,621	8,624	2,787	—	26,032
Amounts due to group companies[3] [4]	59,665	373,695	70,417	274,808	(778,585)	—
Short term lease liabilities	—	4,537	36,075	1,477	—	42,089
Other current liabilities	46,226	89,975	11,295	24,247	—	171,743
Total current liabilities	**117,235**	**883,042**	**880,577**	**843,219**	**(778,585)**	**1,945,488**
Long term lease liabilities	—	1,639	—	2,003	—	3,642
Deferred tax liabilities	—	2,655	—	19,919	—	22,574
Other non-current liabilities	—	34,590	—	87,368	—	121,958
Total non-current liabilities	**—**	**38,884**	**—**	**109,290**	**—**	**148,174**
Total liabilities	**117,235**	**921,926**	**880,577**	**952,509**	**(778,585)**	**2,093,662**
Total Zhihu Inc.'s shareholders' equity	**4,599,810**	**5,453,396**	**1,980,033**	**(39,918)**	**(7,393,511)**	**4,599,810**
Noncontrolling interests	—	8,753	—	52,767	40,280	101,800
Total shareholders' equity	**4,599,810**	**5,462,149**	**1,980,033**	**12,849**	**(7,353,231)**	**4,701,610**
Total liabilities and shareholders' equity	**4,717,045**	**6,384,075**	**2,860,610**	**965,358**	**(8,131,816)**	**6,795,272**

	As of December 31, 2022					
	Parent Company	Other Subsidiaries	WFOEs as Primary Beneficiaries	VIEs and their Subsidiaries	Eliminations	Consolidated Total
	(RMB in thousands)					
Cash and cash equivalents	197,012	1,761,406	2,316,675	250,759	—	4,525,852
Term deposits	—	803,714	144,676	—	—	948,390
Short-term investments	—	139,966	608,793	38,500	—	787,259
Trade receivables	—	701,883	10,572	121,796	—	834,251
Amounts due from related parties	—	2,283	502	22,013	—	24,798
Amounts due from group companies[3][4]	1,981	153,757	317,515	8,671	(481,924)	—
Prepayments and other current assets	7,651	27,910	95,197	68,491	—	199,249
Total current assets	**206,644**	**3,590,919**	**3,493,930**	**510,230**	**(481,924)**	**7,319,799**
Property and equipment, net	—	1,723	4,754	813	—	7,290
Intangible assets, net	—	12,300	1,813	66,124	—	80,237
Goodwill	—	22,830	—	103,514	—	126,344
Net assets of the VIEs	—	—	(18,602)	—	(18,602)	—
Investment in subsidiaries[2]	5,527,483	2,770,503	42,053	—	(8,340,039)	—
Right-of-use assets	—	10,109	85,238	4,772	—	100,119
Other non-current assets	—	791	12,716	8,943	—	22,450
Total non-current assets	**5,527,483**	**2,818,256**	**127,972**	**184,166**	**(8,321,437)**	**336,440**
Total assets	**5,734,127**	**6,409,175**	**3,621,902**	**694,396**	**(8,803,361)**	**7,656,239**
Accounts payable and accrued liabilities	4,841	319,274	404,402	187,595	—	916,112
Salary and welfare payables	—	17,928	255,486	10,132	—	283,546
Taxes payable	—	6,583	15,467	3,925	—	25,975
Contract liabilities	—	85,717	484	269,425	—	355,626
Amounts due to related parties	—	—	8,861	16,000	—	24,861
Amounts due to group companies[3][4]	58,665	186,544	91,468	145,247	(481,924)	—
Short term lease liabilities	—	6,491	44,271	2,428	—	53,190
Other current liabilities	16,925	110,186	15,429	22,991	—	165,531
Total current liabilities	**80,431**	**732,723**	**835,868**	**657,743**	**(481,924)**	**1,824,841**
Long term lease liabilities	—	3,875	36,967	2,525	—	43,367
Deferred tax liabilities	—	3,075	—	8,555	—	11,630
Other non-current liabilities	—	51,760	—	30,373	—	82,133
Total non-current liabilities	**—**	**58,710**	**36,967**	**41,453**	**—**	**137,130**
Total liabilities	**80,431**	**791,433**	**872,835**	**699,196**	**(481,924)**	**1,961,971**
Total Zhihu Inc.'s shareholders' equity	**5,653,696**	**5,614,860**	**2,749,067**	**(18,602)**	**(8,345,325)**	**5,653,696**
Noncontrolling interests	—	2,882	—	13,802	23,888	40,572
Total shareholders' equity	**5,653,696**	**5,617,742**	**2,749,067**	**(4,800)**	**(8,321,437)**	**5,694,268**
Total liabilities and shareholders' equity	**5,734,127**	**6,409,175**	**3,621,902**	**694,396**	**(8,803,361)**	**7,656,239**

Selected Condensed Consolidated Statements of Cash Flow Data

	For the Year Ended December 31, 2023					
	Parent Company	Other Subsidiaries	WFOEs as Primary Beneficiaries	VIE and their Subsidiaries	Eliminations	Consolidated Total
	(RMB in thousands)					
Purchases of goods and services from group companies[1]	—	(752,000)	(132,500)	(878,010)	1,762,510	—
Sales of goods and services to group companies[1]	—	176,010	1,586,500	—	(1,762,510)	—
Other operating/administrative activities with external parties	(44,388)	722,250	(2,187,123)	1,093,734	—	(415,527)
Net cash (used in)/provided by operating activities	**(44,388)**	**146,260**	**(733,123)**	**215,724**	**—**	**(415,527)**
Purchases of short-term investments	—	(992,252)	(6,110,000)	(431,000)	—	(7,533,252)
Proceeds of maturities of short-term investments	—	698,340	5,498,902	387,014	—	6,584,256
Purchases of term deposits	(72,054)	(2,605,540)	—	—	—	(2,677,594)
Proceeds from withdrawal of term deposits	—	2,047,915	—	—	—	2,047,915
Repayment from subsidiaries of investment	284,017	—	—	—	(284,017)	—
Other investing activities with external parties	—	(30,219)	(8,384)	(63,862)	—	(102,465)
Net cash used in investing activities	**211,963**	**(881,756)**	**(619,482)**	**(107,848)**	**(284,017)**	**(1,681,140)**
Repayment from subsidiaries of investment	—	(284,017)	—	—	284,017	—
Payments for repurchase of shares	(369,569)	—	—	—	—	(369,569)
Other financing activities with external parties	4,513	—	—	—	—	4,513
Net cash used in financing activities	**(365,056)**	**(284,017)**	**—**	**—**	**284,017**	**(365,056)**
Effect of exchange rate changes on cash and cash equivalents	**3,340**	**38,602**	**568**	**—**	**—**	**42,510**
Net (decrease)/ increase in cash and cash equivalents	(194,141)	(980,911)	(1,352,037)	107,876	—	(2,419,213)
Cash and cash equivalents at beginning of the year	197,012	1,761,406	2,316,675	250,759	—	4,525,852
Cash and cash equivalents at end of the year	**2,871**	**780,495**	**964,638**	**358,635**	**—**	**2,106,639**

	For the Year Ended December 31, 2022					
	Parent Company	Other Subsidiaries	WFOEs as Primary Beneficiaries	VIE and their Subsidiaries	Eliminations	Consolidated Total
	(RMB in thousands)					
Purchases of goods and services from group companies[1]	—	(2,429,435)	(98,100)	(906,100)	3,433,635	—
Sales of goods and services to group companies[1]	—	107,900	3,325,735	—	(3,433,635)	—
Other operating/administrative activities with external parties	(51,752)	1,348,530	(3,139,585)	727,853	—	(1,114,954)
Net cash (used in)/provided by operating activities	**(51,752)**	**(973,005)**	**88,050**	**(178,247)**	**—**	**(1,114,954)**
Purchases of short-term investments	—	(4,394,721)	(4,638,000)	(1,513,535)	—	(10,546,256)
Proceeds of maturities of short-term investments	—	5,215,100	4,906,959	1,924,071	—	12,046,130
Purchases of term deposits	—	(3,426,857)	(144,833)	—	—	(3,571,690)
Proceeds from withdrawal of term deposits	—	5,768,675	—	—	—	5,768,675
Repayment from subsidiaries of investment	256,942	—	—	—	(256,942)	—
Investment in subsidiaries[2]	—	(649,935)	—	—	649,935	—
Other investing activities with external parties	—	(19,782)	(145,767)	(40,843)	—	(206,392)
Net cash provided by/(used in) investing activities	**256,942**	**2,492,480**	**(21,641)**	**369,693**	**392,993**	**3,490,467**
Repayment from subsidiaries of investment	—	(256,942)	—	—	256,942	—
Investment from group companies[2]	—	—	649,935	—	(649,935)	—
Payments for repurchase of shares	(127,962)	—	—	—	—	(127,962)
Other financing activities with external parties	19,612	—	—	—	—	19,612
Net cash (used in)/ provided by financing activities	**(108,350)**	**(256,942)**	**649,935**	**—**	**(392,993)**	**(108,350)**
Effect of exchange rate changes on cash and cash equivalents	**5,745**	**20,608**	**75,175**	**—**	**—**	**101,528**
Net increase in cash and cash equivalents	102,585	1,283,141	791,519	191,446	—	2,368,691
Cash and cash equivalents at beginning of the year	94,427	478,265	1,525,156	59,313	—	2,157,161
Cash and cash equivalents at end of the year	**197,012**	**1,761,406**	**2,316,675**	**250,759**	**—**	**4,525,852**

	For the Year Ended December 31, 2021					
	Parent Company	Other Subsidiaries	WFOEs as Primary Beneficiaries	VIE and their Subsidiaries	Eliminations	Consolidated Total
	(RMB in thousands)					
Purchases of goods and services from group companies[1]	—	(676,191)	(95,561)	(45,579)	817,331	—
Sales of goods and services to group companies[1]	—	115,561	701,770	—	(817,331)	—
Other operating/administrative activities with external parties	(3,182)	1,490,154	(2,359,237)	432,031	—	(440,234)
Net cash (used in)/provided by operating activities	**(3,182)**	**929,524**	**(1,753,028)**	**386,452**	—	**(440,234)**
Purchases of short-term investments	—	(2,532,000)	(3,016,000)	(870,000)	—	(6,418,000)
Proceeds of maturities of short-term investments	—	1,804,592	2,940,000	490,000	—	5,234,592
Purchases of term deposits	(64,596)	(3,719,638)	(1,162,729)	—	—	(4,946,963)
Proceeds from withdrawal of term deposits	64,707	1,788,963	1,164,726	—	—	3,018,396
Investment in subsidiaries[2]	(4,695,120)	(3,301,321)	—	—	7,996,441	—
Other investing activities with external parties	(19,380)	(2,571)	31,049	(33,626)	—	(24,528)
Net cash (used in)/ provided by investing activities	**(4,714,389)**	**(5,961,975)**	**(42,954)**	**(413,626)**	**7,996,441**	**(3,136,503)**
Proceeds from issuance of Class A ordinary shares upon the completion of IPO, net of issuance cost	4,853,293	—	—	—	—	4,853,293
Investment from group companies[2]	—	4,695,120	3,301,321	—	(7,996,441)	—
Other financing activities with external parties	15,544	—	7,410	—	—	22,954
Net cash provided by/(used in) financing activities	**4,868,837**	**4,695,120**	**3,308,731**	—	**(7,996,441)**	**4,876,247**
Effect of exchange rate changes on cash and cash equivalents	**(63,673)**	**(29,602)**	**(6,894)**	—	—	**(100,169)**
Net increase/(decrease) in cash and cash equivalents	87,593	(366,933)	1,505,855	(27,174)	—	1,199,341
Cash and cash equivalents at beginning of the year	6,834	845,198	19,301	86,487	—	957,820
Cash and cash equivalents at end of the year	**94,427**	**478,265**	**1,525,156**	**59,313**	—	**2,157,161**

Notes:

(1) Intercompany sales of goods and services were eliminated at the consolidation level.

(2) It represents the elimination of the investment in the subsidiaries by group companies.

(3) The amounts due to group companies mainly represent unsettled service fees among WFOEs as primary beneficiaries, the VIEs and their subsidiaries and other subsidiaries, which are eliminated in the consolidated balance sheet.

(4) For the years ended December 31, 2021, 2022, and 2023, VIEs have incurred RMB330.5 million, RMB572.3 million, and RMB857.4 million in fees related services provided by the WFOEs and WFOEs concurrently recognized same amounts as revenues, respectively. In the same periods, cash paid by VIEs to WFOEs for service fees were RMB45.6 million, RMB896.3 million, and RMB834.5 million, respectively. Unsettled balance of such transactions was RMB54.6 million and RMB130.8 million as of December 31, 2022 and 2023, respectively.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risks Factors

Summary of Risk Factors

An investment in the ADSs or our Class A ordinary shares involves significant risks. Below is a summary of material risks that we face, organized under relevant headings. These risks are discussed more fully in "Item 3. Key Information—D. Risk Factors."

Risks Relating to Our Business and Industry

- Our business depends on our ability to offer high-quality user-generated content for our users.
- Our success depends on our ability to attract and maintain an engaged user base.
- If we fail to maintain and strengthen our community culture, brand, and reputation, our ability to expand our user base and enhance content-centric monetization could be impaired, and our business, financial condition, and results of operations could be materially and adversely affected.
- We have incurred net loss and negative operating cash flow in the past, which may continue in the future.
- We may not be able to manage our growth effectively, which may compromise the success of our business.
- We are subject to risks associated with financing activities and liquidity.
- If we fail to retain or attract merchants and brands, or to increase their spending with us, our business, financial condition, and results of operations may be materially and adversely affected.
- We cannot assure you that our new business initiatives and monetization strategies will be successfully implemented.
- We operate in a highly competitive market, and may not be able to compete effectively.
- If we fail to keep up with the technological developments, our business, financial condition, results of operations, and prospects may be materially and adversely affected.
- Our business is subject to complex and evolving laws and regulations regarding cybersecurity and data privacy.

Risks Relating to Our Corporate Structure

- We are a Cayman Islands holding company with no equity ownership in the VIEs and we conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIEs, with which we have maintained contractual arrangements, and their subsidiaries. Investors in our ADSs thus are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in applicable industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company in the Cayman Islands, the VIEs, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of our consolidated VIEs and our company as a group.

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

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

Risks Relating to Doing Business in China

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

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

- The PRC government's oversight over our business operations could result in a material adverse change in our operations and the value of our Class A ordinary shares and the ADSs.

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

- The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past had deprived our investors with the benefits of such inspections.

- Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely registered public accounting firms located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Risks Relating to Our ADSs and Class A Ordinary Shares

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

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

Risks Relating to Our Business and Industry

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

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

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

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

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

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

Our success and continued growth are driven by our fast growing, diverse, and highly engaged user base. We have experienced significant user growth since inception. Our average MAUs increased by 4.0% from 101.3 million in 2022 to 105.3 million in 2023. Our users also exhibit a high level of engagement through active participation and contribution. We attract and retain users with high-quality content, and any decline in the breadth, depth, and quality of our content offerings may adversely affect our ability to maintain and further expand a large and engaged user base.

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

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

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

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

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

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

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

We have incurred net loss and negative operating cash flow in the past. In 2021, 2022, and 2023, we had net loss of RMB1.3 billion, RMB1.6 billion, and RMB839.5 million (US$118.2 million) and negative operating cash flow of RMB440.2 million, RMB1.1 billion, and RMB415.5 million (US$58.5 million), respectively. We cannot assure you that we will be able to generate net profit or positive operating cash flow in the future. Our ability to achieve profitability and positive operating cash flow largely depends on our ability to further expand our user base and enhance monetization, but we cannot assure you that we will continue to maintain a sound growth momentum. We may continue to experience net loss and negative operating cash flow in the future due to increasing content and other costs, including those for commercial content, as well as our continued spending in growth and marketing and investments in technology, people, infrastructure, and new initiatives. Although we are disciplined about our costs and operating expenses and continue to undertake cost control measures, there can be no assurance that these measures will be effective, and our costs and operating expenses may continue to negatively affect our profitability. In addition, our ability to achieve and sustain profitability is affected by various factors, some of which are beyond our control, such as changes in macroeconomic conditions, regulatory environment, or competitive dynamics in the industry. If we cannot effectively maintain or achieve revenue growth at scale, or if we are unable to achieve profitability or maintain and enhance our liquidity, our business, financial condition, and results of operations may be materially and adversely affected.

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

We have experienced rapid growth since our inception. The success of our business largely depends on our ability to effectively maintain our user and revenue growth. We attract and retain users with high-quality content, and we also strategically deploy marketing and other user acquisition strategies. Our MAU growth may fluctuate on a quarterly basis, which makes it difficult to predict. Although we expect our user base to continue to experience a growing trend in the near future, we may experience fluctuations of quarterly average MAUs on a quarterly basis, particularly during the fourth and first quarter of a year. For further details, see “Item 4. Information on the Company—B. Business Overview—Our Monetization.”

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

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

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

Growing and operating our business may require significant cash investments, capital expenditures, and commitments to respond to business challenges, including developing or enhancing new or existing services and technologies and expanding our infrastructure. If cash on hand and cash generated from operations are not sufficient to meet our cash and liquidity needs, we may need to seek additional capital, potentially through debt or equity financings. We may not be able to raise required cash on terms acceptable to us in a timely manner, or at all. Such financings may be on terms that are dilutive or potentially dilutive to our shareholders, and the prices at which new investors would be willing to purchase our securities or related financial instruments may be lower than the current market prices of our Class A ordinary shares or the ADSs. The holders of new securities may also have rights, preferences, or privileges that are senior to those of existing stockholders. In addition, we currently have limited asset to pledge for loans or other debt financing transactions. If new financing sources are required, but are insufficient or unavailable, we may need to modify our growth and operating plans and business strategies based on available funding, if any, which would harm our ability to grow our business.

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

Revenues generated from our business side customers, such as marketing services revenue from merchants and brands, are crucial to our business. In 2021, 2022, and 2023, the revenues from marketing services accounted for 72.1%, 54.3%, and 39.4% of our total revenue, respectively. We cannot assure you that we will be able to retain existing or attract new merchants and brands effectively. If the marketing budgets of merchants and brands decrease, or if they believe that they can achieve better returns elsewhere, we may experience a decline in their spending with us. Our competitors may provide better marketing services. If merchants and brands believe that their spending on online content communities do not generate expected returns, they may also switch to other internet channels such as search engines, news platforms, short video platforms, e-commerce platforms, and social media platforms, or other traditional channels such as television, newspapers, and magazines, and reduce or discontinue business with us. Among our marketing services, merchants and brands may find our online advertising to be ineffective to market their products and services, and competition may lead to a decrease in our fee rates. In addition, if the commercial content created through our marketing services does not appeal to or is not successfully distributed to the targeted audience, we may not attract sufficient merchants and brands or generate expected revenue. Moreover, merchants and brands may have limited experience in our services for commercial content and may not be able to utilize our solutions effectively to achieve expected commercial results or otherwise meet their expectation. Furthermore, some of the merchants and brands may have different budget allocation strategies, which may affect their spending on our marketing services. Failure to retain existing or attract new merchants and brands, to increase their spending with us, or to develop effective marketing services may materially and adversely affect our business, financial condition, and results of operations.

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

Our content-centric monetization strategies are evolving. We derive revenues primarily from marketing services, paid membership, and vocational training. We seek to maintain a delicate balance between our monetization needs and the necessity of maintaining a positive user experience on Zhihu with a reasonable level of presentation of marketing services. We also continue to identify monetization opportunities and introduce additional products and services, such as vocational training. We may have limited experience in operating and achieving profitability in new business initiatives. If our new business initiatives or monetization strategies fail, we may not be able to maintain or increase our revenue or recover any associated costs, expenses, and other expenditures. If these new business initiatives fail to attract or retain users or to generate sufficient revenue to justify our investments, or if our marketing services significantly impedes user experience, our business, financial condition, and results of operations may be materially and adversely affected.

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

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

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

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

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

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

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

In November 2016, the Standing Committee of the National People's Congress promulgated the PRC Cybersecurity Law, which took effect on June 1, 2017 and provides that network operators must meet their cybersecurity obligations and must take technical measures and other necessary measures to protect the safety and stability of their networks. The Cybersecurity Law is still subject to interpretation by the PRC government authorities. Although we only gain access to user information that is necessary for, and relevant to, the services provided, the data we obtain and use may include information that is deemed as "personal information" under the Cybersecurity Law and related data privacy and protection laws and regulations. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Information Security."

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

The PRC government authorities also further enhanced the supervision and regulation of cross-border data transmission. On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-Border Data Transmission, which took effect on September 1, 2022. In accordance with these measures, data processors are be subject to security assessment conducted by the CAC prior to any cross-border data transmission if the transmission involves (i) important data, (ii) personal information transmitted overseas by a critical information infrastructure operator or a data processor that has processed personal data of more than one million persons, (iii) personal information transmitted overseas by a data processor that has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of the preceding year, or (iv) other circumstances as required by the CAC. In addition, any cross-border data transmission activities conducted in violation of the Measures for the Security Assessment of Cross-Border Data Transmission before the effectiveness of these measures are required to be rectified within six months of the effectiveness date thereof. Since these measures are relatively new, there are still substantial uncertainties with respect to the interpretation and implementation of these measures in practice and how they affect our business operation.

On March 22, 2024, the CAC promulgated the Provisions on Facilitating and Regulating Cross-border Data Flow, effective on the same date. The provisions intend to replace the rules set forth in the Measures for the Security Assessment of Cross-Border Data Transmission that are inconsistent with the new provisions. Pursuant to the Provisions on Facilitating and Regulating Cross-border Data Flow, a data processor intending to implement outbound data transfer under the following circumstances shall apply for security assessment to the CAC: (i) a critical information infrastructure operator intending to provide personal information or important data abroad; or (ii) a data processor that is not a critical information infrastructure operator intending to provide important data abroad, or has since January 1st of the current year cumulatively provided personal information (excluding sensitive personal information) of over one million individuals, or sensitive personal information of over 10,000 individuals, abroad. For any data processors other than critical information infrastructure operators who have since January 1st of the current year cumulatively provided personal information (excluding sensitive personal information) of over 100,000 and less than one million individuals, or sensitive personal information of less than 10,000 individuals abroad, should execute a standard contract for outbound transfer of personal information with the recipient abroad or pass the certification for personal information protection.

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

New laws or regulations concerning data protection, or the interpretation and implementation of existing data security and privacy protection laws or regulations may be announced, published for public consultations, issued, or promulgated from time to time. For example, on December 28, 2021, several PRC government authorities jointly issued the Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that intend to purchase internet products and services and internet platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. The Cybersecurity Review Measures further stipulate that if an internet platform operator has personal information of over one million users and pursues a foreign listing, it must be subject to the cybersecurity review. Given that the Cybersecurity Review Measures was recently promulgated, there are substantial uncertainties as to its interpretation, application, and enforcement. On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security for public comments. The draft provides that data processors conducting the following activities must apply for cybersecurity review: (i) merger, reorganization, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests, which affects or may affect national security; (ii) a foreign listing by a data processor processing personal information of over one million users; (iii) a listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. There have been no further clarifications from the authorities as of the date of this annual report as to the standards for determining such activities that "affects or may affect national security." The period for which the CAC solicited comments on this draft ended on December 13, 2021, but there is no timetable for its enactment. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation, and implementation of the draft regulations, including the standards for determining activities that "affects or may affect national security."

Furthermore, the PRC government authorities have taken steps to limit the method and manner that the internet companies may apply when using the algorithms. For instance, the CAC, together with eight other government authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services on September 17, 2021, which provide that daily monitoring of data use, application scenarios, and effects of algorithms must be carried out by the regulators, and the regulators should conduct security assessments of algorithms. The guidelines also provide that an algorithm filing system should be established, and classified security management of algorithms should be promoted. In addition, on December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, and the State Administration for Market Regulation promulgated the Administrative Provisions on Internet Information Service Algorithm-Based Recommendation, which took effect on March 1, 2022. This regulation stipulates that algorithm-based recommendation service providers should inform users of their provision of algorithm-based recommendation services in a conspicuous manner, and publicize the basic principles, purpose intentions, and main operating mechanisms of algorithm-based recommendation services in an appropriate manner. Although our current operations are in compliance in material respects with the algorithm-based recommendation rules, we cannot assure you that our content operations will continue to be in compliance with the algorithm-based recommendation rules in all respects. If our content operations are forced to change in a way to ensure full compliance with the algorithm-based recommendation rules, our ability to enhance the quality of content in the Zhihu community may be adversely affected.

The interpretation and application of these PRC cybersecurity and data privacy laws, regulations, and standards are still evolving. It hence remains uncertain whether the future regulatory changes would impose additional compliance requirements on companies like us. We cannot predict the impact of the draft of the Administrative Regulations for Internet Data Security, if any, at this stage, and we will closely monitor and follow any development in the promulgation process. It is uncertain when the final measures will be issued and take effect, how they will be enacted, interpreted, or implemented, and whether and how they will affect us. If the enacted version of the draft of the Administrative Regulations for Internet Data Security mandates clearance of cybersecurity review and other specific actions on companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the application stores, among other penalties, which could materially and adversely affect our business and results of operations. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Information Security."

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

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

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

Our investments in generative AI may not be commercially successful, and we face potential issues in the use of AI in our business operations.

In recent years, we continued to advance our technological development through internal initiatives, highlighted by the explorations on generative AI. In 2023, we launched our first Large Language Model, Zhihaitu AI, which has received regulatory registration in November 2023. We have been making significant investments in generative AI and large language models. However, generative AI and the relevant technologies are in early stages of development, and there is no demonstrated commercial business model for these technologies. Similar to many other disruptive innovations, AI presents risk and challenges that could negatively affect our business. Our Zhihaitu AI or other models may not effectively recommend content or improve the efficiency of the search function for users as expected. Content created with the assistance of generative AI may not be well-received by our users. Negative publicity or perception on AI practices by us or others could impair the acceptance of our AI technologies. As such, we cannot guarantee that our investments in generative AI could enhance the efficiency and improve the experience of our community or yield commercially successful results.

In addition, the regulatory and legal framework on AI in mainland China is evolving rapidly. In recent years, the PRC government authorities have released a series of laws and regulations related to artificial intelligence. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Artificial Intelligence." These laws and regulations are relatively new, and the government authorities may introduce additional or more detailed laws and regulations to oversee the use of AI. Therefore, we may need to comply with more compliance requirements in the field of generative AI, which could increase our compliance costs.

In addition, the use of generative AI may involve complex intellectual property issues. As the applicable laws and regulations in mainland China are still evolving and subject to further interpretation and implementation, AI-generated content could lead to copyright and other legal disputes, which could undermine the effectiveness of AI and subject us to liabilities and potential reputational harm. Although we believe that we have taken necessary measures according to the applicable laws, we cannot guarantee that we will always meet the regulatory requirements. If we fail to meet legal and regulatory requirements, we may be subject to penalties.

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

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

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

We monitor the advertisements displayed in the Zhihu community to ensure that they comply with applicable laws and regulations. In addition, where advertisers are required to obtain special government approvals for specific types of advertisements prior to delivering such advertisements on the internet, such as advertisements relating to medical care, pharmaceuticals, medical instruments, agrochemicals, and veterinary pharmaceuticals, we take steps to check or verify that the advertisers have fulfilled the requisite government requirements. Non- compliance with these laws and regulations may subject us to penalties, including imposition of fines, confiscation of our marketing services income, order to cease dissemination of the advertisements, and order to publish an announcement correcting the misleading information. Under the circumstances of any serious violation by us, PRC government authorities may force us to terminate all or part of our marketing services or revoke our licenses, and we and responsible persons may incur criminal liability.

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

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

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

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

Our ability to provide users with superior experience depends on the continuous and reliable operation of our technology infrastructure, including our IT systems and cloud infrastructure, the failure of which may significantly impair our user experience and decrease the overall attractiveness of our community to both users and advertisers. Disruptions, failures, or unscheduled service interruptions could hurt our reputation and cause our users and marketing services clients to choose our competitors' platforms. Our IT systems are vulnerable to damage or interruption as a result of fires, floods, earthquakes, power losses, telecommunications failures, undetected errors in software, computer viruses, hacking, and other attempts to harm our systems. These interruptions may be due to unforeseen events that are beyond our control or the control of our third-party service providers. We have experienced general intermittent interruptions in the past, and may continue to experience similar interruptions in the future despite our continuous efforts to improve our IT systems. Since we host our servers at third-party internet data centers, any natural disaster or unexpected closure of internet data centers operated by third-party providers may result in lengthy service interruptions.

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

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

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

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

Content in our community may draw social attention, which may cause controversies. Moreover, the PRC government and regulatory authorities have adopted regulations governing illegal content and information over the internet. Under these regulations, internet content providers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent, violent, or defamatory. Internet content providers are also prohibited from displaying content that may be deemed by the government authorities as socially destabilizing or leaking state secrets of China. Furthermore, the PRC government and regulatory authorities strengthen the regulation on internet content from time to time, which has created uncertainties in the compliance of our business operations. Any failure to comply with laws and regulations may cause negative publicity and subject us to fines or other penalties, which could materially and adversely affect our business, reputation, and results of operations. We have been fined and subject to other penalties imposed by the authorities, including official reprimands, suspension of content dissemination, fines, and removal or suspension of our apps from mobile app distribution channels, due to illegal content in our community. For example, in March 2018, per order by Beijing Cybersecurity Administration, our Zhihu app was temporarily removed from Apple's and Android's app stores for seven days due to dissemination of inappropriate information and mismanagement of the community. In addition, the PRC regulatory authorities may conduct supervisory interviews with internet content providers, including us, regarding content deemed to be inappropriate or objectionable. We have been subject to, and expect to continue to be subject to, supervisory interviews from time to time, which may cause negative publicity and harm our reputation. For more information on the laws and regulations, see "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Internet Audio-Visual Program Services," and "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Information Security."

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

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

We may be subject to risks associated with strategic acquisitions.

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

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

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

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

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

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

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

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

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

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

We adopted an equity incentive plan in 2012 and a share incentive plan in 2022. The equity incentive plan adopted in 2012 expired in 2022. For the years ended December 31, 2021, 2022, and 2023, we recorded RMB548.5 million, RMB373.9 million, and RMB164.7 million (US$23.2 million), respectively, in share-based compensation expenses. Competition for highly skilled personnel is often intense and we may incur significant costs or may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

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

We are subject to risks associated with cash management activities.

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

We are subject to payment processing risk.

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

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

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

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

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

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

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

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

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

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

We are a public company in the United States and are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, and the rules and regulations of the New York Stock Exchange. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include a report from management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ended December 31, 2023. In addition, as we ceased to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting beginning with our annual report for the fiscal year ending December 31, 2023.

In the course of auditing our consolidated financial statements as of and for the year ended December 31, 2021, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting and other control deficiencies. The material weakness identified relates to our lack of sufficient financial reporting and accounting personnel with appropriate understanding and knowledge of U.S. GAAP to handle complex accounting issues and to establish and implement key controls over period end closing and financial reporting to properly prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements.

Following the identification of the material weakness, we have taken measures to remedy the material weakness. Our management had concluded that the material weakness had been remediated and our internal control over financial reporting was effective as of December 31, 2022.

Our management has also concluded that our internal control over financial reporting was effective as of December 31, 2023. See "Item 15. Controls and Procedures—Management's Annual Report on Internal Control over Financial Reporting." In addition, our independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2023, as stated in its report which appears on page F-2 of this annual report on Form 20-F.

In the future, our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated, or reviewed, or if it interprets the requirements differently from us. In addition, as we have become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, we may identify other or more material weaknesses or deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented, or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Generally speaking, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading prices of our Class A ordinary shares and the ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations, and civil or criminal liabilities.

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

The post-COVID macroeconomic environment in China and elsewhere globally continues to face challenges, which may have a severe and prolonged negative impact on the Chinese and global economy, including potential reductions in the advertising budget of our merchants and. The growth rate of the Chinese economy has gradually slowed in recent years and the trend may continue. The Federal Reserve and other central banks outside of China have raised interest rates. The Russia-Ukraine conflict, the Hamas-Israel conflict, and attacks on shipping in the Red Sea have heightened geopolitical tensions across the world. The impact of the Russia-Ukraine conflict on Ukraine food exports has contributed to increases in food prices and thus to inflation more generally. There have also been concerns about the relationship between China and other countries which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to a wide range of issues including trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

We face uncertainties associated with real name registration requirements.

In accordance with the Administrative Provisions on Mobile Internet Applications Information Services and Administrative Provisions on Account Names of Internet Users, among other laws and regulations, we impose real name registration requirements for all users in our Zhihu community when they sign up. When registering a Zhihu account, an individual user is required to submit her or his mobile phone number or alternative identification information, and a non-individual user is required to submit information of its business license and basic information of its designated person in charge of the account (including her or his real name, mobile phone number, identification card number, and other relevant identification documents). However, the laws and regulations on real name registration, data privacy, and the internet information services in general are evolving, the interpretation and implementation of which are subject to uncertainties. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Mobile Internet Applications Information Services" and "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Internet Privacy" for more details. Any further rulemaking or intensifying regulations with respect to real name registration may increase our compliance burden and may adversely affect our user growth. In addition, we cannot assure you that all the information provided by our users is or will be accurate and free from fraudulent behaviors, which may adversely affect our compliance with the provisions on real name registration requirements. Furthermore, in light of the evolving industry and technological advancements, we face challenges in developing our capabilities to meet the evolving demand for providing more meaningful identity means for our users while staying in compliance with the regulatory developments on real name registration and user privacy protection. Any failure in compliance may materially and adversely affect our business and prospects.

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

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

We face risks relating to natural disasters, health epidemics, and other outbreaks, which could significantly disrupt our operations and materially and adversely affect our business, financial condition, and results of operations.

Our business could be adversely affected by the effects of health epidemics and other outbreaks. In recent years, there have been other breakouts of epidemics in China and globally. Our operations could be disrupted if one of our employees is suspected of having H1N1 flu, avian flu, or another epidemic, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the PRC economy in general. The COVID-19 pandemic that first broke out in 2020 had caused us and certain of our business partners to implement series of measures to reduce the negative impact of the COVID-19 pandemic and to protect employees. Starting in December 2022, most of the travel restrictions and quarantine requirements in China were lifted. Although there were surges of COVID-19 infections in various regions in China during that time, the situation has been significantly improved and normalized since January 2023. There can be no assurance as to whether the COVID-19 pandemic and the resulting disruption to our business will extend over a prolonged period, and if yes, it could materially and adversely affect our business, financial condition, and results of operations.

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

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

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

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

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

We use certain key operating metrics, such as MAUs, number of monthly subscribing members, and paying ratio, among others, to evaluate the performance of our business. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. We calculate these operating metrics using internal company data. There are inherent challenges in measuring such key metrics and internal data, and measurement of such metrics and data may be susceptible to delays and technical errors. For example, for purposes of calculating mobile MAUs, we treat each device as a separate user even though it is possible that there may be circumstances where some users may use more than one mobile devices to access our platform or where multiple users may share one mobile device to access our platform. As such, we are unable to quantify such potential duplication. If we discover material inaccuracies in the operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and the evaluation methods and results of our business may be impaired, which could adversely affect our business. If investors make investment decisions based on the operating metrics we disclose that are inaccurate, we may also face potential lawsuits or disputes.

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

From time to time, we purchase short-term investments, which mainly include investments in financial instruments with a variable interest rate indexed to performance of underlying assets, mostly held in state-owned or reputable financial institutions in China and reputable international financial institutions outside of China. Our short-term investments amounted to RMB2.2 billion, RMB787.3 million, and RMB1.8 billion (US$249.3 million) as of December 31, 2021, 2022, and 2023, respectively. The methodologies that we use to assess the fair value of the short-term investments involve a significant degree of management judgment and are inherently uncertain. In addition, although we prudently manage our short-term investments portfolio and their respective term to ensure that they are readily convertible into cash from time to time in the event that there is a need for liquidity, we are exposed to credit risks in relation to our short-term investments, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions will create fair value gains on our short-term investments or we will not incur any fair value losses on our investments in the future. If we incur such fair value losses, our liquidity, financial condition, results of operations, and prospects may be adversely affected.

Risks Relating to Our Corporate Structure

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

Foreign ownership of internet-based businesses, such as provision of commercial internet information services, internet culture activities, and internet audio-visual program services, is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication enterprise (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centers) in accordance with the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition), or the 2021 Negative List, which were issued on December 27, 2021 by the NDRC and the PRC Ministry of Commerce and became effective on January 1, 2022, and other applicable laws and regulations. In addition, foreign investors are prohibited from investing in enterprises engaging in internet culture activities except for music and providing internet audio-visual program services.

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

In the opinion of Jingtian & Gongcheng, our PRC legal counsel, (i) as of the date of this annual report, the ownership structures of our WFOEs and the VIEs in China do not violate any applicable and explicit PRC law and regulations currently in effect; (ii) subject to the risks as disclosed in "—Risks Relating to Our Corporate Structure" and "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIEs and Their Shareholders," each agreement of the contractual arrangements between our WFOEs, the VIEs, and their equity holders governed by PRC law is valid, binding, and enforceable in accordance with their terms, subject to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization, and similar laws affecting creditors' rights generally, the discretion of the government authorities in exercising their authority in connection with the interpretation and implementation thereof, and the application of the PRC laws and policies thereto, and general equity principles; and (iii) each such agreement does not violate any applicable and explicit PRC law currently in effect. There may be, however, uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of Jingtian & Gongcheng. If we are found in violation of any PRC laws or regulations or if the contractual arrangements among our WFOEs, the VIEs, and their equity holders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

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

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

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

In April 2024, Beijing Radio and Television Station, or BRTS, completed its investment of RMB0.2 million in Zhizhe Tianxia to acquire 1% of Zhizhe Tianxia's enlarged registered capital. BRTS is not a party to the contractual arrangements currently in effect among Zhizhe Sihai, Zhizhe Tianxia, and other shareholders of Zhizhe Tianxia. Therefore, although we still enjoy economic benefits and exercise effective control over Zhizhe Tianxia and its subsidiaries, we are unable to mandatorily purchase, or have BRTS pledge, the 1% equity interests in Zhizhe Tianxia in the same manner as agreed under existing contractual arrangements, nor are we granted the authorization of the voting rights of the 1% equity interests. We believe Zhizhe Sihai still controls and is the primary beneficiary of Zhizhe Tianxia for accounting purposes, as it continues to have a controlling financial interest in Zhizhe Tianxia pursuant to ASC 810-10-25-38A after the issuance of such 1% equity interests.

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

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

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

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Rules of Foreign Investment Law promulgated by the State Council and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People's Court became effective on January 1, 2020. However, uncertainties still exist in relation to further application and improvement of the Foreign Investment Law and its current implementation and interpretation rules. According to the Foreign Investment Law, "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises, or other organizations, or "foreign investors," including the following: (i) foreign investors establishing foreign-invested enterprises in China alone or collectively with other investors; (ii) foreign investors acquiring shares, equities, properties, or other similar rights of Chinese domestic enterprises; (iii) foreign investors investing in new projects in China alone or collectively with other investors; and (iv) foreign investors investing through other ways prescribed by laws, regulations, or guidelines of the State Council. The Foreign Investment Law and its current implementation and interpretation rules do not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under the definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations, or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations, or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over the VIEs through contractual arrangements will not be deemed as a foreign investment in the future.

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

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

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

The VIEs and their subsidiaries hold licenses, approvals, and assets that are necessary for the operation of certain of our businesses, as well as equity interests in a series of our portfolio companies, to which foreign investments are typically restricted or prohibited under applicable PRC law. The contractual arrangements contain terms that specifically obligate the equity holders of the VIEs to ensure the valid existence of the VIEs and restrict the disposition of material assets or any equity interest of the VIEs. However, in the event the equity holders of the VIEs breach the terms of these contractual arrangements and voluntarily liquidate any of the VIEs, or any of the VIEs declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to operate some or all of our businesses or otherwise benefit from the assets held by the VIEs, which could materially and adversely affect our business, financial condition, and results of operations. Furthermore, if any of the VIEs undergoes a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of the VIEs, thereby hindering our ability to operate our business as well as constrain our growth.

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

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

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

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

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

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

Pursuant to the 2021 Negative List, foreign investors are not allowed to hold more than 50% of the equity interests in any company providing value-added telecommunications services, including ICP services, with the exception of e-commerce, domestic multi-party communications, storage- forwarding, and call centers businesses. The 2021 Negative List also prohibits foreign investors from investing in internet audio-visual program services and internet culture activities with the exception of music. Even if the PRC laws were revised to allow foreign investors to hold more than 50% of the equity interests in value-added telecommunications enterprises, given the prohibition on foreign investment in internet audio-visual program services and internet cultural activities, we might still be unable to unwind the contractual arrangements to avoid becoming ineligible to operate our value-added telecommunication, internet audio-visual program, and internet culture activities businesses or suspending operations of these businesses. In the event that we become ineligible to operate, or are forced to suspend, these businesses, our business, financial condition, and results of operations could be materially and adversely affected.

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

Risks Relating to Doing Business in China

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

Substantially all of our operations are conducted in China. Accordingly, our financial condition, results of operations, and prospects are influenced by economic, political, and legal developments in China. While the PRC economy has experienced significant growth over the past decades, there can be no assurance that the growth would be maintained or equitable across sectors. The growth of the Chinese economy may not continue at a rate experienced in the past. Any prolonged slowdown in the Chinese economy may reduce the demand for our services and materially and adversely affect our business and results of operations.

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

We conduct our business primarily through our PRC subsidiaries and the VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The legal system in China is a civil law system based on statutes. Unlike common law systems, it is a system in which decided legal cases may be of reference value but have less precedential value. The legal system in China evolves rapidly, and the interpretations of laws, regulations, and rules may contain uncertainties. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to internet-related industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation may be protracted and result in substantial costs and diversion of resources and management attention.

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

The PRC government's oversight over our business operations could result in a material adverse change in our operations and the value of our Class A ordinary shares and the ADSs.

We conduct our business primarily through our PRC subsidiaries and the VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight over the operation of our business, and it may influence our operations, which could result in a material adverse change in our operation and the value of our Class A ordinary shares and the ADSs.

The PRC government authorities may strengthen oversight over offerings that are conducted overseas and/or foreign investment in overseas-listed China-based issuers like us. Such actions taken by the PRC government authorities may intervene our operations at any time, which are beyond our control. For instance, on July 6, 2021, two PRC government authorities promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities, which specify targets such as strengthening the administration and supervision of overseas-listed China-based companies and clarifying the responsibilities of domestic industry regulatory authorities and other regulatory authorities. However, these opinions leave uncertainties regarding the interpretation and implementation of these opinions. There is no assurance that any new rules or regulations promulgated in the future will impose additional requirements on us. On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Overseas Listing Trial Measures, and five supporting guidelines, which took effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, a domestic company that seeks to offer or list its securities overseas, directly or indirectly, should fulfill filing procedures with, and report relevant information to, the CSRC. If the domestic company fails to complete the filing procedures, conceals any material fact, or falsifies any major content in its filing documents, the domestic company may be subject to administrative penalties, such as order to rectify, warnings, and fines, and its controlling shareholders, actual controllers, the persons directly in charge, and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. See "Item 4. Information on the Company—B. Business Overview—Regulations—M&A Rules and Overseas Listing." However, since the Overseas Listing Trial Measures was relatively new, its interpretation, application, and enforcement remain unclear.

In a Q&A released on the CSRC's official website, an CSRC official respondent indicated that companies that have been listed overseas are not required to complete the filing procedures immediately, and these listed companies should complete the filing procedures with respect to their future overseas financings. Given the substantial uncertainties regarding the CSRC filing requirements currently, we cannot assure you that we will be able to complete the CSRC filings and fully comply with the new rules on a timely basis with respect to our future overseas security issuances, or at all.

In addition, on November 14, 2021, the CAC published the draft of the Administrative Regulations for Internet Data Security for public comments, according to which, among others, a foreign listing of data processors processing personal information of over one million users and listing in Hong Kong by data processors that affects or may affect national security must apply for cybersecurity review. In addition, on December 28, 2021, the CAC and several other PRC government authorities jointly issued the Cybersecurity Review Measures, according to which, among others, if an internet platform operator has personal information of over one million users and pursues a foreign listing, it must be subject to the cybersecurity review. The Cybersecurity Review Measures took effect on February 15, 2022. As the draft of the Administrative Regulations for Internet Data Security have not been adopted and it remains unclear whether the formal version adopted in the future will have any further material changes, it is uncertain how the draft regulations will be enacted, interpreted or implemented and how they will affect us.

It remains uncertain how PRC government authorities will regulate overseas listing in general and whether we are required to complete filing or obtain any specific regulatory approvals from the CSRC, CAC, or any other PRC government authorities for our overseas offerings. If the CSRC, CAC, or other government authorities later promulgate new rules or explanations requiring that we obtain their approvals or complete filing procedures with them for our future overseas offerings, we may be unable to obtain such approvals or complete such filing procedures in a timely manner, or at all, and such approvals or filings may be rescinded even if obtained or completed. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

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

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

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

We offer content in various formats, including certain video and live streaming content on our Zhihu app and website operated by Zhizhe Tianxia, and we plan to continue to offer video and live streaming content in our community. As such content offerings are considered as online transmission of audio and video programs, we may be required to obtain a Permit for Transmission of Audio-Visual Programs via Information Network, or an Audio-Visual Permit. Zhizhe Tianxia, the operator of our Zhihu app and website, does not hold the Audio-Visual Permit, but has registered with the National Internet Audio-Visual Platforms Information Registration and Management System instead. Based on our consultation with the National Radio and Television Administration, Zhizhe Tianxia is able to carry on its provision of video and live streaming contents on our Zhihu app and website upon registration with the National Internet Audio-Visual Platforms Information Registration and Management System. However, if the PRC regulatory authorities deem that we are not in compliance with the legal requirements of holding a valid Audio-Visual Permit to cover the video and live streaming content in our community, we may be subject to fines, penalties, and/or orders to cease offering video and live streaming content, shut down website or revoke licenses, which may materially and adversely affect our business, financial condition, and results of operations. In addition, certain information posted on our Zhihu app and website by our users may be viewed as news information and the transmission of such information may be deemed as internet news information services, thereby requiring us to obtain an internet news information license. We cannot assure you that we will be able to obtain all the licenses necessary for our business operations if and when we are required to do so. Moreover, as we are and will continue to further develop and expand our business, we may need to obtain additional qualifications, permits, approvals, or licenses. We may also be required to obtain additional licenses or approvals if the PRC government adopts more stringent policies or regulations for our business. There is no assurance that we will be able to obtain such additional qualifications, permits, approvals, or licenses in a timely manner, or at all.

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

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

The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past had deprived our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. The auditor is located in mainland China, a jurisdiction where the PCAOB had historically been unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past made it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong, and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in the ADSs would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in the ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely registered public accounting firms located in China. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Pursuant to the HFCAA, as amended by the Consolidated Appropriation Act, 2023, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we were not identified as a Commission-Identified Issuer under the HFCAA after we filed our annual report on Form 20-F for the fiscal year ended December 31, 2022 and do not expect to be so identified after we file this annual report on Form 20-F for the fiscal year ended December 31, 2023.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. Although our Class A ordinary shares have been listed on the Hong Kong Stock Exchange and the ADSs and Class A ordinary shares are fully fungible, we cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will be sustained or that the ADSs can be converted and traded with sufficient market recognition and liquidity, if our shares and the ADSs are prohibited from trading in the United States. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase the ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of the ADSs. In addition, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

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

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

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

Under the PRC Enterprise Income Tax Law, which became effective on January 1, 2008, an enterprise established outside China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform 25% enterprise income tax rate, or the EIT rate, on its global income. Pursuant to the implementation rules of the Enterprise Income Tax Law, "de facto management body" is defined as the organization body that effectively exercises full management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, the State Taxation Administration released the Notice of the State Taxation Administration Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies, or STA Circular 82, that sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Further to STA Circular 82, on July 27, 2011, the State Taxation Administration issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or STA Bulletin 45, to provide more guidance on the implementation of STA Circular 82. STA Bulletin 45 was later revised on June 15, 2018. STA Bulletin 45 clarifies certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

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

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

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

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time consuming and complex. In addition to the PRC Anti-Monopoly Law, these laws and regulations include the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which were adopted by six PRC regulatory authorities in 2006 and amended in 2009, and the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated in 2011. These laws and regulations impose requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the Anti-Monopoly Law requires that the anti-monopoly enforcement agency be notified in advance of any concentration of undertaking if certain thresholds are triggered. On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector, which stipulate that any concentration of undertakings involving variable interest entities is subject to anti-monopoly review. Moreover, the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the Ministry of Commerce, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. On December 19, 2020, the NDRC and the Ministry of Commerce jointly issued the Measures for the Security Review for Foreign Investment, which took effect on January 18, 2021. These measures set forth the provisions concerning the security review mechanism on foreign investment, including, among others, the types of investments subject to review, and the review scopes and procedures. In the future, we may grow our business by acquiring complementary businesses. Complying with requirements of the applicable regulations to complete these transactions could be time consuming, and any required approval processes, including approval from the Ministry of Commerce and other PRC government authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

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

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

On February 3, 2015, the PRC State Taxation Administration issued the Bulletin of the State Taxation Administration on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or STA Bulletin 7, which provides comprehensive guidelines relating to, and also heightens the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under STA Bulletin 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC taxable assets and without any other reasonable commercial purpose. However, STA Bulletin 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed company which holds such PRC taxable assets on a public market; and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from PRC enterprise income tax under an applicable tax treaty or arrangement.

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

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

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

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

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

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

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

On March 30, 2015, the PRC State Administration of Foreign Exchange promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or SAFE Circular 19. SAFE Circular 19 allows foreign invested enterprises in China to use their registered capital settled in Renminbi converted from foreign currencies to make equity investments, but the registered capital of a foreign invested company settled in Renminbi converted from foreign currencies remains not allowed to be used, among other things, for investment in the security markets, or offering entrustment loans, unless otherwise regulated by other laws and regulations. On June 9, 2016, the State Administration of Foreign Exchange further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which, among other things, amended certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of a foreign invested company is regulated such that Renminbi capital may not be used for purposes beyond its business scope or to provide loans to non-affiliates unless otherwise permitted under its business scope. On October 23, 2019, the State Administration of Foreign Exchange promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment, or SAFE Circular 28, last amended by the Circular on Further Deepening the Reform to Facilitate Cross-border Trade and Investment promulgated by SAFE on December 4, 2023. SAFE Circular 28 removed the restrictions on domestic equity investments by non-investment foreign-invested enterprises with their capital funds, provided that certain conditions are met. If the VIEs require financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund the VIEs' operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net proceeds from our overseas offerings to our PRC subsidiaries and convert the net proceeds into Renminbi, which may adversely affect our business, financial condition, and results of operations.

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

The State Administration of Foreign Exchange issued the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles, or SAFE Circular 37, effective on July 4, 2014. SAFE Circular 37 requires PRC residents, including PRC individuals and institutions, to register with the State Administration of Foreign Exchange or its local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such PRC residents must update their foreign exchange registrations with the State Administration of Foreign Exchange or its local branches when the offshore special purpose vehicle in which such residents directly hold the equity interests undergoes material events relating to any change of basic information (including change of such PRC individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

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

On February 13, 2015, the State Administration of Foreign Exchange promulgated a Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, effective on June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under SAFE Circular 37, with qualified banks, instead of the State Administration of Foreign Exchange or its local branches. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

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

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

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

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

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

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

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

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

The conversion of Renminbi into foreign currencies, including Hong Kong dollars and the U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against Hong Kong dollars and the U.S. dollars, at times significantly and unpredictably. The value of Renminbi against Hong Kong dollars, the U.S. dollars and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollars in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollars in the future.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy. Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Class A ordinary shares or the ADSs in foreign currency.

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

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

In February 2012, the State Administration of Foreign Exchange promulgated the Notices of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year participating in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with the State Administration of Foreign Exchange through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options are subject to these regulations as our company is an overseas-listed company. Failure to complete registrations with the State Administration of Foreign may subject us or these employees to fines and legal penalties and may also limit our ability to contribute additional capital to our PRC subsidiary and limit our PRC subsidiary's ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers, and employees under PRC law.

In addition, the PRC State Taxation Administration issued multiple circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to the laws and regulations, we may face penalties imposed by the tax authorities or other PRC government authorities. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Stock Incentive Plans" for further details.

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

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

Risks Relating to Our ADSs and Class A Ordinary Shares

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

The trading prices of our Class A ordinary shares and the ADSs have been volatile, and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States or Hong Kong. In addition to market and industry factors, the price and trading volume for our Class A ordinary shares or the ADSs may be highly volatile for factors specific to our own operations, including the following:

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

Any of these factors may result in large and sudden changes in the price and volume at which our Class A ordinary shares or the ADSs will trade. Furthermore, the stock market in general experiences price and volume fluctuations that are often unrelated or disproportionate to the operating performance of companies like us. These broad market and industry fluctuations may adversely affect the market price of our Class A ordinary shares or the ADSs. Volatility or a lack of positive performance in the price of our Class A ordinary shares or the ADSs may also adversely affect our ability to retain key employees, most of whom have been granted equity incentives. In December 2023, we received a letter dated December 28, 2023 from the New York Stock Exchange, notifying us that we were below compliance standards set forth in Section 802.01C of the NYSE Listed Company Manual due to the trading price of the ADSs. However, even though we regained compliance with the continued listing standards set forth in Section 802.01C of the NYSE Listed Company Manual or the alternative criteria, there can be no assurance that we will maintain our compliance with any other listing standards of the NYSE Listed Company Manual in the future. We cannot guarantee that the ADSs will be eligible for trading on any such alternative exchanges or markets in the United States. If the New York Stock Exchange determines to delist the ADS, or if we fail to list the ADSs on other stock exchanges or find alternative trading venue for the ADSs, the market liquidity and the price of our Shares and our ability to obtain financing for our operations could be materially and adversely affected. As a result, in such event, holders of our Shares could find it difficult to sell their shares.

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

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

Pursuant to our currently effective memorandum and articles of association, our authorized and issued ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

As of March 31, 2024, Mr. Yuan Zhou beneficially owned 19,180,535 Class A ordinary shares and 17,674,043 Class B ordinary shares, representing 42.9% of the aggregate voting power of our total issued and outstanding share capital due to the disparate voting powers associated with our dual-class share structure. As a result of the dual-class share structure and the concentration of ownership, holders of Class B ordinary shares have considerable influence over matters such as decisions regarding mergers and consolidations, election of directors, and other significant corporate actions. Such holders may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay, or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our Class A ordinary shares or the ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

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

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

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

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

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

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

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

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

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

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

Sales of our Class A ordinary shares or the ADSs in the public market, or the perception that these sales could occur, could cause the market prices of our Class A ordinary shares and the ADSs to decline. The Class A ordinary shares held by our existing shareholders may be sold in the public market subject to volume and other restrictions as applicable provided in Rules 144 and 701 under the Securities Act and the applicable lock-up periods.

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

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

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

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

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

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

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

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

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

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

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of the ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

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

We believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for the taxable year ended December 31, 2023, which could subject United States investors in our ADSs or Class A ordinary shares to significant adverse United States income tax consequences.

We will be classified as a passive foreign investment company for United States federal income tax purposes for any taxable year if either (a) 75% or more of our gross income for such year consists of certain types of "passive" income or (b) 50% or more of the value of our assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income, or the "asset test." Although the law in this regard is unclear, we intend to treat the VIEs (including their subsidiaries) as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits and, as a result, we consolidate their results of operations in our consolidated financial statements.

Based upon the nature and composition of our income and assets, and the market price of the ADSs, we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2023, and we will likely be a PFIC for our current taxable year unless the market price of the ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income.

If we are a PFIC in any taxable year, a U.S. Holder (as defined in "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations") may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or Class A ordinary shares and on the receipt of distributions on the ADSs or Class A ordinary shares to the extent such gain or distribution is treated as an "excess distribution" under the United States federal income tax rules, and such U.S. Holder may be subject to burdensome reporting requirements. Further, if we are a PFIC for any year during which a U.S. Holder holds our ADSs or Class A ordinary shares, we will generally continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or Class A ordinary shares. For more information see "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations" and "Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

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

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

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

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

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

There is no direct trading or settlement between the New York Stock Exchange and the Hong Kong Stock Exchange on which the ADSs and our Class A ordinary shares are respectively traded. In addition, the time differences between Hong Kong and New York, unforeseen market circumstances, or other factors may delay the deposit of Class A ordinary shares in exchange for the ADSs or the withdrawal of Class A ordinary shares underlying the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, we cannot assure you that any exchange for Class A ordinary shares into ADSs (and vice versa) will be completed in accordance with the timelines that investors may anticipate.

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

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

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

Item 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

In late 2010, our founder, Mr. Yuan Zhou, founded Zhihu. Between 2010 and 2012, Zhihu was a by-invitation-only Q&A community. Zhihu opened up registration to the general public in 2013 and has since grown into one of the largest comprehensive online content communities in China. We started to offer online advertising in 2016, introduced paid content in 2018, started our paid Yan Selection membership program in the first half of 2019, and we formally launched our content-commerce solutions in early 2020. We have continued to expand our content-centric monetization channels since 2020, including offering vocational training. At the beginning of 2023, we optimized our organizational structure by combining our advertising and content commerce solutions services into a "marketing services" business, offering our merchants and brands more effective and comprehensive marketing solutions.

We established Zhihu Technology Limited under the laws of the Cayman Islands as our offshore holding company in May 2011, and later changed its name to Zhihu Inc. in October 2020.

In June 2011, we established Zhihu Technology (HK) Limited, a wholly-owned subsidiary of our Cayman Islands holding company, in Hong Kong as our intermediary holding company. In the same month, we established Zhizhe Tianxia in China. In January 2012, Zhihu Technology (HK) Limited established Zhizhe Sihai, a wholly-owned subsidiary in China. In January 2018, we established Beijing Zhihu Network Technology Co., Ltd., a wholly-owned subsidiary of Zhihu Technology (HK) Limited, in China.

In July 2018, we gained control over Zhizhe Tianxia through Zhizhe Sihai by entering into a series of contractual arrangements with Zhizhe Tianxia and its shareholders. We replaced such contractual arrangements with the contractual arrangements currently in effect in December 2021.

In September 2021, we gained control over Shanghai Pinzhi by entering into a series of contractual arrangements through Shanghai Zhishi with Shanghai Pinzhi and its shareholders. In November 2021, we gained control over Shanghai Biban and its subsidiaries by entering into a series of contractual arrangements through Shanghai Paya with Shanghai Biban and its shareholders.

On March 26, 2021, the ADSs commenced trading on the New York Stock Exchange under the ticker symbol "ZH." Concurrently with our initial public offering, we also entered into private placement transactions with certain investors. Net proceeds from our initial public offering, including the exercise of the underwriters' option to purchase additional ADSs, and the concurrent private placements, after deducting the underwriting discounts and offering expenses, were US$739.4 million.

On April 22, 2022, our Class A ordinary shares commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code "2390." The selling shareholders received all the net proceeds of that global offering, and we did not receive any net proceeds therefrom.

In July 2023, we gained control over Wuhan Xinyue by entering into a series of contractual arrangements through Wuhan Bofeng with Wuhan Xinyue and its shareholders.

Our principal executive offices are located at 18 Xueqing Road, Haidian District, Beijing 100083, People's Republic of China. Our telephone number at this address is +86 (10) 8271-6605. Our registered office in the Cayman Islands is located at offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Our agent for service of process in the United States is Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY 10168. Our website is *http://www.zhihu.com*. The information on our websites should not be deemed to be part of this annual report.

B. Business Overview

Overview

Zhihu is an iconic online content community where people come to find solutions, make decisions, seek inspiration, and have fun. On Zhihu, our users explore and enjoy content that broadens horizons, provides solutions, and resonates with minds, ranging from daily life choices such as purchasing a television or a mobile phone, choosing an inspirational holiday hide-away, a puzzle book, or a reality show, to sophisticated knowledge or unique experience such as learning about the latest generative AI technology or watching the opening ceremony of the 19th Asian Games. Our content also addresses life decisions such as selecting a college or a good exam preparation program, making career choices, managing a relationship, or expecting a baby. A full spectrum of high-quality content on Zhihu appeals to an ever-growing user base and content creators, who have come to Zhihu to share their knowledge, experience, and insights. Zhihu goes beyond that first question and brings people together through their commonality.

Since we launched our business in 2010, we have been dedicated to expanding our content and service offerings to meet the diverse needs of our users, content creators, and business partners. Alongside our development, we have formed a content-centric business model, which continues to evolve. We have grown from a Q&A community into one of the largest comprehensive online content communities in China. In 2023, Zhihu had 105.3 million average MAUs and 14.5 million average monthly subscribing members. As of December 31, 2023, Zhihu had 71.3 million cumulative content creators, who had contributed 774.7 million cumulative pieces of content covering over 1,000 verticals. We continue to leverage our content-centric business model and launched new monetization channels such as vocational training programs. However, we believe that we are still at an early stage of monetization with significant runway for growth across multiple monetization channels.

The Zhihu model is centered around a virtuous cycle seeking to achieve a content equilibrium between what our content creators contribute and what our users consume. We continually reinforce Zhihu's technological foundation and strive for optimal monetization to deliver value to our shareholders and other stakeholders.

Our users and content creators actively interact with each other and share knowledge, experience, and insights, forming a content ecosystem spanning a wide range of verticals and topics across diverse content forms. Our deep content and user insights play an essential role in optimizing user experience and maintaining robust community governance, which reinforces our community culture of sincerity, expertise, and respect. Our community culture and trustworthy brand serve to fortify our content ecosystem, which attracts more users and content creators to our community and keeps them engaged. Our advanced technological infrastructure plays a pivotal role in multiple facets of our business, including user comprehension, content quality assessment, promotion of engaging content, user interaction, and community cultivation, as well as the enhancement of our content and service portfolio, all contributing to the establishment of a trustworthy brand. As we continue to enhance user experience and serve our users, content creators, and business partners, we have established diverse and extensive content-centric monetization channels. This self-reinforcing ecosystem has emerged as we have grown and continues to solidify our leadership.

Our Progress in AI

In 2023, we continued to advance our technological development through internal initiatives, highlighted by our exploration of generative AI. We firmly believe the recent developments in AI technology have unleashed significant opportunities for Zhihu to better serve users, among other possibilities. In April 2023, we launched our first Large Language Model, Zhihaitu AI, which has now been developed to hundred-billion parameters and received regulatory registration in November 2023. We consistently strive to upgrade the overall experience of our community, particularly in terms of improving the efficiency of the search function for users, enhancing the effectiveness of content recommendations, and empowering content creation to further enhance our content ecosystem.

Leveraging the abundant data and high-quality contents accumulated in our community, we are exploring more potential application scenarios to better support our content creators, optimize our user experience, and boost our monetization efficiency. With our advancements in AI, we are confident we can leverage the capabilities of generative AI technology to further enhance our community ecosystem.

Zhihu Content

Zhihu's comprehensive, high-quality content is continually enriched by our content creators with systematic support from our content operations, reinforcing Zhihu's reputation as a trustworthy online content community. We continue to foster our community culture by encouraging the creation of fulfilling content, refining the experience of our users and content creators, and upgrading our technology infrastructure.

Content Offerings

We are a UGC-based online content community, where content creators contribute a wealth of knowledge, experience, and insights. Zhihu's content is presented in diversified forms and features such as Q&As, articles, videos, live streaming, and groups. Our community had 774.7 million cumulative pieces of content as of December 31, 2023. Our comprehensive content covers more than 1,000 verticals. Popular categories include career development, science and engineering, art, consumer digital, movies and short stories, business and finance, mother and baby care, lifestyle and fashion, sports, and games, among others. Various distribution channels are available for users to effectively and efficiently explore the Zhihu content, such as feeds, searches, trending topics, and follows. As a comprehensive online content community, we seek to maintain a diverse portfolio of content offerings. To that end, we have deepened penetration in our cornerstone verticals through various means, such as inspiring content creators to engage with in-depth content generated by professional users.

Zhihu's content is primarily organized in the Q&A format, as we believe that Q&A is an intuitive and efficient way to inspire and facilitate discovery, learning, discussion, and engagement. A question may begin trending immediately, attracting a string of answers of different lengths, styles, and perspectives. A question may also remain relevant and accumulate answers over a long period of time, reflecting the timeless value of such content. As we accumulate experience in comprehending content through understanding users and content creators through our TopicRank algorithms, we are able to effectively facilitate creation of high-quality content and its distribution to users for consumption. In addition to Q&As, Zhihu's content can be contributed in the form of articles to facilitate more focused discussions in particular fields and to build systematic knowledge graphs. Users can also form and join groups to explore their commonality.

Aside from the Zhihu content available to all users, we offer a paid Yan Selection membership program where we curate premium content for our subscribing members. Our premium content primarily consists of works contributed by professional or experienced content creators and high-quality works licensed by third parties. As of December 31, 2023, the Yan Selection membership program offers access to 4.9 million pieces of premium content, such as fictional stories and novels, other books and magazines, live and recorded lectures, and audio books, serving a wide range of users who consume content for pleasure or for acquiring knowledge and skills, as well as those searching for credible references. Our continuous expansion of premium content offerings aims to unlock commercialization potential and benefit a broader audience. In May 2023, we officially launched *Yanyan Story*, an app dedicated to boutique short-form stories for subscribing members who prefer a dedicated and immersive reading experience. We are also diligently expanding other premium content offerings to satisfy the demands of our expanding subscriber base, which incentivizes further growth of our subscribing members, strengthens our trustworthy brand image, and effectively contributes to the rapid growth in paid membership revenue.

Content Operations

The Zhihu model is based on a content equilibrium between what our content creators contribute and what our users consume. Our content operations rely on our overall comprehension of content through our "fulfilling-ness" approach and our understanding of content creators, informed by our TopicRank algorithms. Leveraging our evolving and growing technological capabilities, we strive to maintain and enhance the fulfilling-ness and credibility of our content. We believe that our unique content operating approach this "fulfilling-ness" approach, combined with our TopicRank algorithms, holistically deepens our comprehension of the Zhihu content, which fuels all aspects of our business.

We continually iterate TopicRank algorithms over time to enhance our understanding of content creators to help us comprehend our content ecosystem. As content creators continue to contribute content on Zhihu, our TopicRank algorithms continually assess content through the understanding of content creators based on their contributions and engagements, as well as other users' engagements with their contributions. A content creator perceived as an expert by our TopicRank algorithms in a field, whether major or minor, typically carries more weight in that field for future assessments. Content quality is not merely determined by the content's popularity or number of upvotes. Our TopicRank algorithms assess the quality of content based on all relevant information available to Zhihu and regularly update such assessments. Our high-quality content portfolio and accumulated user engagement data optimize TopicRank's effectiveness. These continuing iterations create a virtuous cycle, enhancing the quality of Zhihu's content through our continually refined understanding of content creators and contributing to effective content creation, distribution, and consumption on Zhihu.

Through years of relentless work in enhancing user experience, we have come to understand that users love Zhihu's content for its ability to broaden horizons, provide solutions, and resonate with minds. We continuously refine this deepened understanding through insights from our operations and technology teams. Leveraging technology, we optimize content operation and reassessment. We remain committed to utilizing our technological capabilities, including artificial intelligence, natural language processing, and machine learning to optimize our daily content operations.

We have years of experience in identifying and promoting worthwhile questions and then using an AI-powered question routing system to invite users to answer questions that correspond to their interests and expertise.

This not only incites users' desire to create but also helps new users in quickly getting started with answering questions. We also offer productivity tools to help content creators efficiently produce high-quality short-form content to capture users' evolving demand for reading in their fragmented time. We use a feed recommendation algorithm and a search system to efficiently distribute content of interest to users. Users can browse their personalized home feeds on the Zhihu app and the Zhihu website based on their profiles and prior behaviors, and search keywords to quickly access relevant content. As our search functions become more popular, we are increasingly recognized by Chinese netizens as a go-to destination to find trustworthy answers to their questions. Users can see updates from content creators and topics that they have followed, read trending topics, watch videos, and browse channels to discover content.

From time to time, we also launch various initiatives and campaigns to further enhance the depth, breadth, and quality of our content. We focus on promoting timely content, which covers a wide spectrum of trending events to satisfy the needs of our diverse user base. We have a dedicated content operation team to facilitate content creation and distribution relating to the most notable events from time to time. We also collaborate with various media to ensure our content regularly covers popular events of interest to the general public.

Content Creators

The Zhihu brand has inspired our users to become active contributors and content creators. As a UGC-based online content community, we take pride in the 71.3 million cumulative content creators who have collectively contributed 774.7 million cumulative pieces of content , including 592.8 million cumulative Q&As, to our community as of December 31, 2023. Our users and content creators complement each other in our content ecosystem, sharing their collective intelligence to create a marketplace of answers. We strive to empower them to generate high-quality content and foster content diversity. Through our efforts in discovering, developing, and supporting content creators, we help realize and unlock the potential of each content creator, regardless of their background or field of specialty. This approach enables us to convert more users into content creators.

We understand and support the different needs of content creators at different stages. Our Q&A format serves as a catalyst for creativity, encouraging users to become content creators in the Zhihu community by contributing their first piece of content. Our technology can help content creators select the right topics tailored to their interest and expertise. For example, our AI-powered question routing system distributes questions suitable for entry-level content creators, gradually advancing in complexity as content creators become more experienced. In addition, we provide ongoing support and guidance to content creators to encourage the frequency of content creation, including rewarding them financially for their creative works through various channels, such as income for creation of quality commercial and premium content, commissions from Recommended Goodies, and other initiatives. For example, our upgraded Haiyan Plan 5.0 will center around new-generation professionals, motivating them with highly efficient tools to realize their monetization potential. In April 2023, we upgraded our professional creator identification recognition function to indicate verified professional identity of our content creators.

Zhihu Users

We have a large, vibrant, and growing user base. We had average MAUs of 95.9 million, 101.3 million and 105.3 million in 2021, 2022, and 2023, respectively. Our user base is also young and diverse. As of December 31, 2023, over 74.1% of our active users were under 30, and female users accounted for 60.5% of our total number of active users in December 2023. We aim to continue to expand and further diversify our user base and serve a broader set of internet users.

Our users can leverage a series of features to foster active engagement within the Zhihu community. For example, they can upvote and downvote answers and comments, which play an instrumental role in our community engagements. Users can also identify and invite other users to answer any specific questions in our community. Furthermore, we offer other engagement features including comments, likes, follows, favorites, and shares. These features collectively enhance user participation and contribute to the vibrant and interactive environment of the Zhihu community.

Our users are instrumental in building and maintaining our community culture of sincerity, expertise, and respect. We provide a set of comprehensive community identity and recognition systems that strengthen users' sense of community belonging. Our high-quality content and strong brand have enabled us to effectively expand our user base while maintaining user loyalty.

We have implemented a systematic approach in managing our user growth. Our product, content, community governance, technology, and sales and marketing teams collaborate closely with our experienced management team to align and execute our user growth strategies, ensuring optimized user acquisition. We also strategically deploy multi-dimensional user growth strategies to complement our word-of-mouth referrals, such as brand marketing, targeted campaigns, and pre-installations on mobile devices. To adapt to dynamic market conditions and competitive landscape, we consistently review and refine our user growth strategy. For example, we prioritize promoting Zhihu as an online community where everyone can find their own answers to attract users with broader and more diverse backgrounds. We also emphasize our strength as the go-to online community for content coverage on trending topics with significant social impact.

Our Monetization

We have adopted a multi-engine, content-centric monetization approach. We derive revenues from marketing services, paid membership, vocational training, and other services such as sales of our private label products and book series.

Marketing Services

At the beginning of 2023, we optimized our organizational structure by combining our advertising and content commerce solutions services into a "marketing services" business, offering our merchants and brands more effective and comprehensive marketing solutions. Currently, our marketing services primarily consist of online advertising services and content-commerce solutions.

Our online advertising services help merchants and brands deliver advertisements effectively to their targeted audience. Our customers are generally attracted by our expanding user base, high-quality user profiles, and the content generated in our community. They typically select target audiences based on user profiles and review performance indices instead of specifying target content categories or monitoring other similar metrics. Our online advertising services primarily include launch-screen and feed advertisements. Advertisements can be placed in various areas on our Zhihu app and website in diverse formats. Merchants and brands can place display-based or performance-based advertisements. We charge display-based advertisements by the cost-per-mille model, and charge performance-based advertisements by the cost-per-click model and cost-per-mille model. The pricing of our advertising is determined based on our internally-set price guidelines that are updated from time to time. The guidelines generally take into consideration factors including, among other things, nature and type of customers, products and services to be marketed, prior relationships, level of comparable demands, and scale of orders, and are implemented based on the marked price for our advertising services.

Our innovative content-commerce solutions provide merchants and brands with online marketing solutions that are seamlessly integrated into our online content community. Unlike traffic-based online marketing, our content-commerce solutions adopt a content-based approach focusing on the content itself and its appeal to targeted audiences to help merchants and brands engage with their target consumers in a more direct, accurate, and effective manner. Content-commerce solutions enable merchants and brands to craft compelling commercial content showcasing their products and services, which can be distributed by and remain relevant to our users over an extended period, thereby amplifying our clients' branding efforts. Typically, the lifespan of such content varies from a few days to a year. Such content is seamlessly embedded into answers, articles, and videos on Zhihu, to effectively capitalize on users' actionable intent. By embedding high-quality commercial content within relevant context, readers are more likely to respond positively, resulting in superior marketing outcomes. In addition, by collaborating with us and utilizing our content-commerce solutions, content creators can assist merchants and brands in brand building, sales enhancement, and other promotional objectives.

We are continuing to enhance the effectiveness of our marketing services based on more accurate distribution to users and enhanced digital experience powered by technology with more diverse marketing service offerings. In 2023, we have established a feedback mechanism for data collaboration with e-commerce platforms like Taobao and JD.com. Leveraging visualized data, we help merchants and brands achieve their business objectives more effectively by boosting add-to-cart rates, store visits, and category penetration rates, as well as lowering customer acquisition costs.

Paid Membership

Our Yan Selection membership program provides our subscribing members with access to our premium content library, serving a wide range of users who consume content for pleasure or acquiring knowledge and skills, as well as those who seek credible references. We offer subscription plans for our Yan Selection membership and offer trials to attract more members. Our subscription plans are offered for monthly, quarterly, and annual membership services. In comparison to freely accessible content, our premium content available through the paid membership subscription program primarily consists of content generated by content creators on our platform, some of whom are professionals, and user-generated content licensed from third parties on a compensated basis. Specifically, these third parties primarily include professional or experienced content creators who provide commissioned works and copyright holders that grant us licenses for specific copyrighted works. We also offer an on-demand access option to our content library to supplement our Yan Selection membership program. In 2023, we had an average of 14.5 million monthly subscribing members, increased by 47.5% from 9.8 million in 2022. We expect to expand our paid membership services by continually enhancing the quality of our premium content, including professionally generated and professional user-generated content, while diversifying the spectrum of our premium content library.

Vocational Training

We launched our vocational training service in 2020. We offer a diverse course portfolio primarily focusing on professional qualification exams and other vocational education, which is a valuable supplement to our content offerings. Our vocational training service has experienced rapid growth since its launch. In 2023, we generated RMB565.6 million (US$79.7 million) in revenues from our vocational training services.

We utilize our existing technological infrastructure, including our content distribution engine, customer relationship management, data management platform, and transaction system, to advance the development of our vocational training services. We attract users by creating and distributing content that stimulates users' interest in topics that relate to our courses and that encourages users to purchase such courses. In addition to our proprietary vocational training business, we also conduct strategic acquisitions to strengthen our content supply. Since 2021, we have enriched the content supply for our vocational training services through acquisitions of equity interests in companies that provide certain vocational training courses. Our well-rounded product and service spectrum now covers Postgraduate Entrance Examination, Civil Service Examination, ESG, CFA and CPA examinations, language testing, and writing or data analytical skills and AGI, among others.

Other Monetization Channels

As part of our efforts to grow our content portfolio and cater to the evolving trend of our users' content consumption, we continue to identify and introduce additional products and services. We believe that there are significant monetization opportunities across many of our content domains, such as e-commerce, where users are highly engaged and we have accumulated a vast repository of content.

Our e-commerce operations enable content creators to seamlessly integrate actionable utilities in their content to introduce and recommend products to our users. We currently drive traffic externally to third-party e-commerce platforms, which pay us commissions based on pre-agreed percentages of the relevant GMV realized on these platforms. We then split the commissions with the respective content creators.

Our trustworthy brand image makes Zhihu popular in various product categories. Our e-commerce service currently covers digital consumer products, home appliances, and lifestyle products. We also work with third parties to offer book series. Benefiting from our rich content portfolio, we are exploring opportunities to further develop the related intellectual property in collaboration with third parties, such as Zhihu-branded merchandise.

Zhihu Community Governance

We maintain community culture through our comprehensive community governance system, comprising our users, protocols, and algorithms. These elements interact with one another to build and enhance our culture.

Our community governance team actively identifies and addresses content that violates our community guidelines, leveraging a combination of proprietary know-how, AI-powered content assessment algorithms, and established systems and protocols honed over years of operations. We analyze content, assess user behaviors and interactions, and ultimately enhance the quality of our content portfolio. As a result, content quality plays a pivotal role in determining the order by which content is presented. Influential, reputable, and well-recognized users generally have more weight in the content assessment process. Through years of experience, we have accumulated a set of community guidelines in addition to our community by-laws and terms of service to help regulate all major aspects of our community's operations and activities.

People within the Zhihu community value our culture and are willing to help safeguard an environment where everyone is encouraged to share their knowledge, experience, and insights, while treating each other with respect. For example, our users can actively participate in community governance by initiating and participating in the dispute review process, and certain users can even become "jurors" on Zhihu to assist with fact-finding in community disputes.

Sales and Marketing

We strategically deploy multi-dimensional marketing strategies to complement our word-of-mouth referrals, such as brand marketing, targeted campaigns, and pre-installations on mobile devices. Currently, a majority of the downloads of the Zhihu app are from the app stores on Android devices, and all pre-installations of the Zhihu app are made on Android devices, which represent an insignificant portion of the Zhihu app installations on Android devices.

Our content-centric approach to boosting our brand recognition and our marketing also includes collaborations with celebrities, targeted event campaigns, fans events, and partnerships with major TV stations and online video platforms in China. Leveraging the inherent trustworthiness and recognition associated with the Zhihu brand, our marketing strategy to combine brand building with user growth enables us to benefit from a lower customer acquisition cost and achieve a faster rate of user growth.

Data analytics underlie our marketing strategies. We constantly refine our algorithms for accurate identification of trending topics and user demand to better connect the right users with the right content. We also market our community and quality content through popular search engines, social media, trending apps, web navigation portals, and third-party mini-programs.

Technological Infrastructure

We develop and deploy our technological infrastructure and data capabilities based on and suitable for the nature of our content and our content-centric monetization strategies.

TopicRank sets the technological foundation of Zhihu as a trustworthy online content community from the content creator perspective. Powered by our AI capabilities, TopicRank assesses content through understanding of content creators and is continually refined by machine learning technology and our proprietary know-how and data insights derived from our decade-long operations. We have been enhancing TopicRank's iterative process by allowing an overlay of our "fulfilling-ness" approach, leveraging our deepened understanding of content. As part of our efforts in developing and implementing our "fulfilling-ness" approach, we are applying various technical means, including AI, machine learning, and natural language processing, in cultivating our technological capability of identifying and promoting "fulfilling content." We believe that we are uniquely positioned to cultivate the "fulfilling-ness" approach by leveraging our extensive content portfolio and over a decade of operating experience.

We use an intelligent question routing system to accurately invite users to contribute their answers. Based on the analysis of a particular question and data insights on users, the question routing system identifies users who have created content (preferably with positive feedback by other users) or shown interest in the relevant field based on user profiles and behaviors, and distributes the question to these users, prompting for a response. In addition, we also supply content creators with a suite of productivity tools to assist in creating content in various forms and easily editing texts, images, and videos.

We also use a feed recommendation system and a search system to efficiently distribute content of interest to users. The feed recommendation system creates personalized home feeds when users access the Zhihu app and website based on user profiles and behaviors. The feed recommendation system enables us to optimize user experience and improve the signal-to-noise ratio. We continue to improve both the feed recommendation and search systems through TopicRank and machine learning technology.

We apply multiple technologies based on natural language processing (NLP) to understand and respond to content, users, and their behaviors and interactions, ultimately to enhance the culture of the Zhihu community. We maintain and develop knowledge graphs to arrange content in a structured system, and, with the accumulation of information over years of operations, to organize and present knowledge, experience, and insights for users. We use graph-embedding machine learning models to analyze interactions between users and determine user affinity, which, together with other factors, helps to refine our assessment of the appropriateness of any particular content and determine corresponding reactions. We also use AI-powered proprietary systems to defend against inappropriate content. In addition, we have implemented AI-powered systems to enhance our ability to understand and manage video content. We believe that we are one of the few online content market players capable of managing content by recognizing tones and attitudes expressed by users under complex context and circumstances.

Our research and development team are comprised of highly qualified employees, substantially all of whom held Bachelor's or higher degrees as of December 31, 2023. We plan to continue to invest in technology and innovation to enhance user and customer experience.

User Privacy and Data Security

Data security is crucial to our business operations. We have internal rules and policies to govern how we may use and share personal information, as well as protocols, technologies and systems in place to ensure that such information will not be accessed or disclosed improperly. Users must acknowledge the terms and conditions of the user agreement before accessing our products and services, under which they consent to our collection, use, and disclosure of their data in compliance with applicable laws and regulations.

When our users access and interact on Zhihu, we collect certain personal information, including name, email address, mobile number, ID number, behavioral data, and other personal information. We first obtain consent from our users to collect, store, and transmit data for providing services to them on Zhihu. Our data privacy policy agreed to by our users describes our data practices in our operations. We do not use any data for any purpose other than those specified in the data privacy policy agreed to by our users.

We store all the data accumulated in our operations in-house. At present, we do not engage in any data sharing arrangement with external parties, nor do our operations entail any cross-border data transfer. From an internal policy perspective, we limit access to our servers that store our user and internal data on a "need-to-know" basis. Our employees are granted access to the minimum extent that is necessary to fulfill their job responsibilities and are required to go through strict internal approval procedures before operating on such data. We also have entered into confidentiality agreements with employees and organized trainings to strengthen their awareness of data privacy and protection. In addition, we adopt a data encryption system intended to ensure the secured storage and transmission of data and prevent any unauthorized public member or third parties from accessing or using our data in any unauthorized manner. We have implemented internal controls to ensure that user data is protected, and that leakage and loss of such data is avoided. Furthermore, we have appointed a team of dedicated data protection professionals who are responsible for designing and monitoring data security management and emergency response. Data access attempts by any third party are subject to our evaluation and approval procedure based on the necessity and scope of the attempts and appropriate consent from our users. We typically provide third parties with anonymous and desensitized personal information and require such third parties to undertake equivalent data protection measures.

To date, we have not been subject to any material fines or other material penalties due to non-compliance with data privacy and security laws or regulations. Based on the foregoing, Jingtian & Gongcheng, our PRC legal counsel, is of the view that we are in compliance with currently applicable PRC data privacy and cybersecurity laws and regulations that may have a material adverse effect on our business, financial condition, or results of operations in all material respects as of the date of this annual report.

Intellectual Property

We rely on a combination of patent, copyright, trademark, domain name, and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of March 31, 2024, we had 80 registered patents, 121 pending patent registration applications, 1,346 registered trademarks, 1,107 pending trademark registration applications, registered copyrights to 22 pieces of software, and 19 domain names (including zhihu.com). As of the date of this annual report, we are not subject to any claims or allegations relating to intellectual property that will have material adverse effect to our business operations.

Competition

Our competitors mainly include (i) comprehensive online content communities and (ii) other online content communities that specialize in certain content verticals, such as certain lifestyle sharing platforms, live streaming platforms, knowledge sharing platforms, and hobby communities.

China's online content community industry is highly competitive and rapidly changing in response to the evolving market demand and user preferences. We compete to attract, engage, and retain users, content creators, and merchants and brands. Our competitors may compete with us in a variety of ways, including by providing better content, fulfilling evolving user needs, providing content creation utilities, and conducting brand promotions and other marketing activities. Our content creators are generally free to post their content on our competitors' platforms, which may divert user traffic or attention from our platform.

We face competition for advertising and marketing spending of merchants and brands, and we compete against other online content communities that offer services similar to our marketing services. We also compete with internet companies that offer similar services, including online content market players who focus on professionally generated content, search service providers, e-commerce platforms, and social networking platforms. We also compete against traditional media outlets, such as television, radio, and print for advertising and marketing budget.

Our paid membership service offerings compete with platforms that provide similar services to paying users, including other online content communities and online content market players focusing on professionally generated content that offer subscription programs or on-demand access to content library.

Our vocational training business faces competition for consumer spending with online or offline training players that focus on professional qualification exams and other vocational education.

In addition to marketing services, paid membership, and vocational training, we also generate revenue through other services, including e-commerce services, for which we may face competition for consumer spending with other online content communities and e-commerce platforms.

We compete with our competitors based on several key factors. These include the community culture, content quality and breadth, and governance mechanism that we have fostered over the past decade, the strength and reputation of our Zhihu brand for trustworthiness, our ability to provide high-quality content and develop new products, services and enhancements to existing products and services to meet evolving user preferences and demands, and our ability to sustainably grow our user base.

As we introduce new products and services and refine existing ones, and as our competitors introduce their new products and services, we may face heightened competition.

Regulations

Regulations on Value-Added Telecommunications Services

Licenses for Value-Added Telecommunications Services

The PRC 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 China. The PRC Telecommunications Regulations classify telecommunications services into basic telecommunications services and value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services. According to the Catalog of Telecommunications Services which is included in the PRC Telecommunications Regulations and was 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, which were 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 Administrative Measures on Internet Information Services classifies internet information services into non-commercial internet information services and commercial internet information services. Commercial internet information service providers must obtain an ICP License from appropriate telecommunications authorities. An ICP License has a term of five years and can be renewed within 90 days prior to its expiration, according to the Administrative Measures for Telecommunications Businesses Operating Licensing, which were promulgated by the MIIT on March 1, 2009, were most recently amended on July 3, 2017, and became effective on September 1, 2017.

Restrictions on Foreign Investment in Value-Added Telecommunications Services

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, which were promulgated by the State Council on December 11, 2001 and most recently amended on March 29, 2022 and became effective on May 1, 2022, require 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. Moreover, the joint ventures must obtain approvals from the MIIT or their authorized local counterparts, before launching the value-added telecommunications business in China.

The 2021 Negative List was promulgated by the NDRC and the Ministry of Commerce jointly on December 27, 2021 and became effective on January 1, 2022. According to this list, the proportion of foreign investments in an entity engaging in value-added telecommunications business (except for e-commerce, domestic multi-party communications, storage-forwarding, and call centers) shall not exceed 50%.

Pursuant to the Ministry of Information Industry's Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-Added Telecommunications Services, issued by the Ministry of Information Industry, the predecessor of the MIIT, on July 13, 2006, domestic value-added telecommunications enterprises are prohibited from renting, transferring, or selling licenses for value-added telecommunications services to foreign investors in any form. They are also prohibited from providing any resources, premises, facilities, or other assistance in any form to foreign investors for their illegal operation of any value-added telecommunications business in China.

Regulations on Internet Content Services

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

On August 25, 2017, the CAC promulgated the Administrative Provisions on Internet Comment Threading Services and the Administrative Provisions on Internet Forum and Community Services, both of which took effect on October 1, 2017. As stipulated in the provisions, online comment threading service providers are imposed on strict primary obligations such as verifying the authenticity of registered users' identity information, protecting personal information of users, and developing systems to review comment threading on news information prior to the publication. In addition, the services providers may establish information review, real-time public information check, emergency response, personal information protection, and other information security administration systems. Furthermore, the service providers should not publish information in violation of PRC laws, regulations, and other applicable provisions. The Administrative Provisions on Internet Comment Threading Services was later amended on November 16, 2022 and took effect on December 15, 2022, which further clarify the obligations of service providers of online comment threading. Service providers must regulate and manage users, producers, and operators of official accounts in accordance with user agreements. For users of comment threading services that release unlawful and detrimental content, the service providers must take necessary measures to manage such actions, such as giving warnings, refusing publication of comment, deleting comment, restricting account functions, suspending account updates, closing accounts, and prohibiting re-registration, and save relevant records; for producers and operators of official accounts that fail to fulfil their management obligations resulting in circulation of unlawful and detrimental information on the online comment threading, the service providers must take necessary measures to manage such actions, such as giving warnings, deleting relevant information, suspending the function of comment threading until the permanent closure of online comment threading area, restricting account functions, suspending account updates, closing accounts, and prohibiting re-registration, save relevant records, and promptly report to the cyberspace administration authorities. This amended regulation also defines "comment threading services" as services provided by internet websites, applications, and other online platforms of a public opinion nature or with the capacity to mobilize the public, for users to express text, code, emojis, pictures, audio, video, or other information through methods such as comments, responses, private messages, live streaming comments, likes, and so forth.

On September 7, 2017, the CAC promulgated the Administrative Provisions on the Information Services Provided Through Public Accounts of Internet Users, which were last amended on January 22, 2021 and took effect on February 22, 2021. This regulation requires information service platforms for public accounts to, among others, establish and improve a management system for user registration, information content security, content ecology, data security, personal information protection, intellectual property protection, and credit assessment, and establish a monitoring and evaluation mechanism for public accounts to prevent data falsification on account subscriptions and interaction counts.

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

On June 27, 2022, the CAC promulgated the Administrative Provisions on the Account Information of Internet Users, which took effect on August 1, 2022. Internet-based information service providers that provide users with information release services, should provide and disclose the rules for the management of user accounts and platform conventions and enter into service agreements with users. Internet-based information service providers should authenticate the identification information of the users who apply for registration of accounts for production of information content in areas such as economics, education, medical care and health, and justice, and the service providers should require these users to provide relevant documents such as service qualification, professional qualification, and professional background information for verification and add a special label to the accounts that have been verified. Any internet-based information service provider in violation of these provisions should be punished in accordance with the laws and administrative regulations.

On September 9, 2022, the CAC, the MIIT, and the State Administration for Market Regulation issued the Administrative Provisions on Internet Pop-up Push Notification Services, which took effect on September 30, 2022. The provisions require that internet pop-up push notification service providers should implement the responsibilities as subjects of information content management and establish and improve management systems for censoring of information content, ecological governance, data security, and personal information protection, and protection of minors.

On November 25, 2022, the CAC, the MIIT, and the Ministry of Public Security jointly issued the Administrative Provisions on Deep Synthesis of Internet Information Services, which took effect on January 10, 2023. According to the provisions, deep synthesis technology refers to any technology that utilizes deep learning, virtual reality, or any other generative or synthetic algorithm to produce text, images, audio, video, virtual scenes, or other network information. The provisions emphasize that deep synthesis service providers, as the primary entities responsible for the information security, should not use deep synthesis services to engage in activities prohibited by laws and regulations.

Regulations Relating to Mobile Internet Applications Information Services

In addition to the PRC Telecommunications Regulations and other regulations above, mobile internet applications, or apps, are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services, which were promulgated by the CAC on June 28, 2016 and last amended on June 14, 2022 and took effect on August 1, 2022. The provisions set forth 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 principle of "real name at background, any name at foreground," verify identities with the registered users through mobile phone numbers, ID numbers, unified social credit codes, and other measures; (ii) establish and improve the mechanism for user information security protection, follow the principle of "legality, appropriateness, necessity, and good faith" in collection and use of personal information, expressly state the purpose, methods, and scope of information collection, and obtain the users' consent; (iii) establish a sound information content review and management mechanism, and establish and improve management measures for user registration, account management, information review, routine inspections, and emergency response, with professionals and technical capabilities commensurate with their service scale; (iv) adhere to the principle of being most beneficial to minors, and strictly implement the requirements for the registration and login of minors' user accounts with real identity information in accordance with the law; (v) do not induce users to download apps by means of false advertisement, bundled downloads, or other acts, or via machine or manual comment control, or by using illegal and harmful information; and (vi) perform the obligation of ensuring data security, establish a sound whole-process data security management system, take technical measures to ensure data security and other security measures, and strengthen risk monitoring, and cannot endanger national security or public interests, or damage the legitimate rights and interests of others.

On July 21, 2023, the MIIT issued the Circular on Launching the Record-filing of Mobile Internet Applications, pursuant to which we shall complete a record-filing procedure with the MIIT for our mobile apps with engagement of provision of internet information service within the PRC before March of 2024. We are not allowed to continue to provide internet information services via our mobile apps within the PRC if applicable filings for our mobile apps cannot be completed by the end of March of 2024. As of the date of this annual report, we have completed these filings for all our mobile apps intended for providing internet information service within the PRC.

Regulations Relating to Internet Culture Activities

Internet audio-visual program services are categorized as internet culture business. The Interim Administrative Provisions on Internet Culture, promulgated by the Ministry of Culture on May 10, 2003, and last amended with immediate effect on December 15, 2017, classify internet culture activities into non-commercial internet cultural activities and commercial internet cultural entities. Under the Interim Administrative Provisions on Internet Culture, internet culture activities include: (i) the production, reproduction, importation, distribution, or streaming of internet culture products (such as online music, online game, online program, online series, online performance, online cartoon, etc.); (ii) the dissemination of culture products via internet; and (iii) the exhibitions, competitions, and other similar activities concerning internet culture products. To conduct commercial internet culture activities, the Internet Cultural Business 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. On July 6, 2005, five PRC regulatory agencies, including the Ministry of Culture, State Administration of Radio, Film and Television, the General Administration of Press and Publications, the NDRC, and the Ministry of Commerce, jointly adopted Opinions on Introducing Foreign Investments to the Cultural Sector. According to these regulations, non-state-owned capital and foreign investors are generally not allowed to conduct the business of transmitting audio-visual programs via information network. In addition, internet cultural business, except for music, remains a prohibited area for foreign investment on the 2021 Negative List.

The Administrative Measures for Content Self-review by Internet Culture Business Entities, which were promulgated by the Ministry of Culture on August 12, 2013 and took effect on December 1, 2013, require internet culture business entities to review the content of culture products and services before providing them to the public. The content management system required to be established by an internet culture business entity shall specify the responsibilities, standards and processes for content review as well as accountability measures, and be filed with the local provincial branch of the Ministry of Culture.

Regulations Relating to Internet Audio-Visual Program Services

According to the Administrative Regulations on Internet Audio-Visual Program Service promulgated by the State Administration of Radio, Film and Television and the Ministry of Information Industry, the predecessor of the MIIT, on December 20, 2007, which were amended on August 28, 2015, internet audio-visual program service refers to activities of making, editing, and integrating audio-visual programs, providing them to the general public via internet, and providing such services to other people by uploading. An internet audio-visual program service provider must obtain an Audio-Visual Permit issued by the State Administration of Radio, Film and Television or complete certain registration procedures with the State Administration of Radio, Film and Television. On March 30, 2009, the State Administration of Radio, Film and Television promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs, which reiterates the pre-approval requirements for the internet audio-visual programs, including those on mobile network (if applicable), and prohibits internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition, or other prohibited elements. The State Administration of Press, Publication, Radio, Film and Television issued the Supplemental Notice on Improving the Administration of Online Audio-visual Content Including Internet Drama and Micro Films on January 2, 2014. This notice emphasizes that entities producing online audio-visual content, such as internet drama and micro films, must obtain a Radio and Television Program Production and Operation License, and that online audio-visual content service providers cannot release any internet drama or micro films that were produced by any entity lacking such license. For internet drama or micro films produced and uploaded by individual users, the online audio-visual service providers transmitting such content will be deemed responsible as a producer. Further, under this notice, online audio-visual service providers can only transmit content uploaded by individuals whose identity has been verified and such content shall comply with the content management rules. This notice also requires that online audio-visual content, including internet drama and micro films, to be filed with the authorities before release.

Pursuant to the Administrative Regulations on Internet Audio-Visual Program Service, 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 Administrative Regulations on Internet Audio-Visual Program Service published on the website of the State Administration of Radio, Film and Television on February 3, 2008, the State Administration of Radio, Film and Television and Ministry of Information Industry, the predecessor of the MIIT, clarified that providers of internet audio-visual program services who had legally engaged in such services prior to the adoption of these regulations are 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 these regulations.

These policies have later been reflected in the Notice on Relevant Issues Concerning Application and Approval of Audio-Visual Permit, issued by State Administration of Radio, Film and Television on April 8, 2008 and amended on August 28, 2015.

In March 2018, the State Administration of Press, Publication, Radio, Film and Television issued the Notice on Further Regulating the Transmission Order of Internet Audio-visual Programs, which requires that, among others, audio-visual platforms shall: (i) not produce or transmit programs intended to parody or denigrate classic works, (ii) not re-edit, re-dub, re-caption or otherwise ridicule classic works, radio and television programs, or original internet audio- visual programs without authorization, (iii) not transmit re-edited programs which unfairly distort the original content, (iv) strictly monitor the adapted content uploaded by platform users and not provide transmission channels for illicit content, (v) immediately take down unauthorized content upon receipt of complaints from copyright owners, radio and television stations, or film and television production institutions, (vi) strengthen the administration of movie trailers and prevent improper broadcasting of movie clips and trailers prior to authorized release, and (vii) strengthen the administration of sponsorship and endorsement for internet audio-visual programs. Pursuant to this notice, the provincial branches of State Administration of Press, Publication, Radio, Film and Television shall have the authority to supervise radio and television stations and websites that offer audio-visual programs within its jurisdiction and require them to further improve their content management systems and implement the management requirements.

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

Under the Regulations on the Administration of Production of Radio and Television Programs, which were promulgated by the State Administration of Radio, Film and Television on July 19, 2004 and amended on October 29, 2020, any entities that engage in the production of radio and television programs are required to apply for a license from the State Administration of Radio, Film and Television or its local level counterparts. Entities with the Radio and Television Program Production and Operation License must conduct their operations strictly within the approved scope of production and operation. Except for radio and television broadcasting institutions, the above-mentioned permit holders shall not produce radio and television programs concerning current political news or special topics, columns and other programs of the same kind.

On January 9, 2019, the China Net-casting Services Association issued the Regulations on Administration of Network Short Video Platforms, pursuant to which, a network platform is required to obtain the Audio-Visual Permit and relevant qualifications to provide short video services, and to strictly operate within the scope of such permit. The network short video platform is required to establish a chief-editor content management and responsibility system, and all content of a short video, including but not limited to its title, description, bullet-chats and comments shall be reviewed in advance before the content is broadcasted. Furthermore, the number of content reviewers a platform is required to host should, in principle, be more than one-thousandth of the number of short videos newly broadcasted on the platform per day. The content reviewers are expected to have high political awareness and professionality. The China Net-casting Services Association issued the Censoring Criteria for Network Short Video Content on January 9, 2019 and amended it on December 15, 2021, which set forth certain details of content prohibited to be broadcasted, such as violence, pornography, gambling, terrorism, and other illegal or immoral content.

Regulations on Artificial Intelligence

On May 8, 2015, the State Council issued a notice promulgating the Made in China 2025 Plan, which came into effect on the same day. The Made in China 2025 Plan emphasizes the acceleration of the promotion of the integrated development of new generation information technology and manufacturing technology, and regards intelligent manufacturing as the main direction of the comprehensive integration of informatization and industrialization. Meanwhile, it is underlined that efforts should be made to develop intelligent equipment and intelligent products, promote intelligent production processes, cultivate new production methods, and comprehensively enhance the intelligent level of research and development, production, management and service of enterprises.

On July 8, 2017, the State Council issued the Development Plan of a New Generation of Artificial Intelligence. The plan outlines three strategic steps in developing a new generation of artificial intelligence technology, and set goals to have China's artificial intelligence technology reach a leading level in the world and become one of the major artificial intelligence innovation centers globally.

On August 1, 2019, the Ministry of Science and Technology issued Guidelines for the Construction of the National New Generation of AI Open Innovation Platform, emphasizing that "open and sharing" should be the important philosophy in promoting artificial intelligence innovation and industry development in China, and encouraged to open innovation platforms for companies to conduct testing, thereby forming standard and modularized models, middleware and applications to provide services to the public in the form of open interfaces, model libraries, algorithm packages, etc.

The Guidelines for the Construction of the New Generation of National Artificial Intelligence Innovation and Development Pilot Zone, which were promulgated by the Ministry of Science and Technology on August 29, 2019 and last amended on September 29, 2020 and came into effect on the same day, underlines the need to create an environment conducive to the innovation and development of artificial intelligence, to promote the construction of artificial intelligence infrastructure and strengthen the conditional support for the innovation and development of artificial intelligence.

The Interim Measures for the Management of Generative Artificial Intelligence Services, which were promulgated by the CAC together with other government authorities on July 10, 2023 and came into effect on August 15, 2023, specify the compliance requirements for generative artificial intelligence service providers. Individuals or organizations that provide generative artificial intelligence services, such as texts, images, audio, video, and other content shall bear the responsibility of network information content producers to fulfill obligations related to network information security and shall bear the responsibility of personal information processors to protect personal information. Generative artificial intelligence service provider with public opinion attributes or social mobilizing ability shall carry out security assessments in accordance with the regulations of the PRC and shall perform the procedures for algorithm filing, alteration and deregistration in accordance with the Administrative Provisions on Internet Information Service Algorithm-Based Recommendation.

Regulations Relating to Publication

Restriction on Internet Publication

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

Pursuant to the Administrative Measures on Internet Information Services, any engagement in internet information services related to publication, prior to applying for an operation permit or going through the record-filing formalities, are subject to the examination and consent of the competent authorities as required by the laws, administrative regulations, and other applicable provisions. Pursuant to the Administrative Measures for Internet Publication Services, which were jointly promulgated by the State Administration of Press, Publication, Radio, Film and Television and the MIIT on February 4, 2016 and became effective on March 10, 2016, the entities providing internet publication services shall adopt a system of responsibility for examination of the content of publications, an editor responsibility system, a proofreader responsibility system, and other management systems to ensure the quality of its web publications. The State Administration of Press, Publication, Radio, Film and Television and its local branches are responsible for the prior approval, supervision, and administration of the internet publication services nationwide, and any internet publication service and internet publication item, or publication of internet publication item is required to obtain an internet publishing service license. Pursuant to the Administrative Measures for Internet Publication Services, Sino-foreign equity joint ventures, Sino-foreign cooperative ventures, and foreign-invested entities cannot engage in internet publication services.

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

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

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

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

Restriction on Offline Distribution

On June 28, 2012, the General Administration of Press and Publications promulgated the Implementing Rules of the General Administration of Press and Publication for Supporting Private Capital's Participation in Publishing Operation Activities, pursuant to which, the General Administration of Press and Publications, among other things, (i) continuously supports private capital to invest in the establishment of enterprises of publication issuance, wholesale, retailing, and chain operation to engage in the issuance and operation activities of publication products, such as books, newspaper, periodicals, video and audio products, and electronic publications; and (ii) continuously supports private capital to invest in the establishment of internet digital publishing enterprises, including online game publishing, mobile publishing, e-book publishing, and content software development to engage in publishing and operation activities.

The Administrative Provisions on the Publication Market were jointly issued by the State Administration of Press, Publication, Radio, Film and Television and Ministry of Commerce on May 31, 2016 and became effective on June 1, 2016. The provisions regulate the activities of publication distribution, including publication wholesale or retail activities, which shall be carried with the Publication Operation License. Without licensing, such entity or individual may be ordered to cease illegal acts by the competent administrative department of publication, be given a warning, and be concurrently subject to a fine.

Regulations Relating to Private Education

The PRC Education Law

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

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

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

On December 29, 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education, which call for the ease of access to the operation of private schools and encourage social forces to enter into the education industry. The opinions also provide that each level of the government shall increase their support to the private schools in terms of financial investment, financial support, autonomy policies, preferential tax treatments, land policies, fee policies, autonomy operation, protection of the rights of teachers and students etc. Further, the opinions require each level of the government to improve local policies on government support to for-profit and non-profit private schools by such means as preferential tax treatments.

Regulations on Online Education

On September 19, 2019, the Ministry of Education, jointly with multiple PRC government authorities, issued the Guidance Opinions on Promoting the Healthy Development of Online Education, which provide, among others, that (i) social forces are encouraged to establish online education institutions, develop online education resources, and provide high quality educational services; and (ii) an online education negative list shall be promulgated, and industries not included in the negative list are open for all types of entities to enter. Moreover, the Ministry of Education, jointly with multiple PRC government authorities, promulgated the Opinions on Guiding and Regulating the Orderly and Healthy Development of Educational Mobile Apps on August 10, 2019, which require, among others, that mobile apps providing services for school teaching and management, student learning and student life, or home-school interactions, with school faculty, students, or parents as the main users, and with education or learning as the main application scenarios, be filed with competent provincial regulatory authorities for education.

Regulations on Vocational Education

The PRC Vocational Education Law, promulgated by the Standing Committee of the National People's Congress on May 15, 1996 and amended on April 20, 2022, and becoming effective on May 1, 2022, applies to vocational schools of all types and levels and vocational training of to all forms. According to this law, institutional organizations, social organizations, and other social groups and individuals are encouraged to operate vocational schools and vocational training institutions according to applicable provisions. The law divides vocational school education into elementary, secondary, and higher vocational education. Vocational school education includes secondary vocational school education and tertiary vocational school education. The secondary vocational school education must be conducted by secondary vocational schools (including technical training schools) at the advanced level of secondary education. The tertiary vocational school education must be conducted by tertiary vocational schools and regular higher education institutions at or above the levels of junior college education and regular course education. Other schools, education institutions, or eligible enterprises and industry organizations may provide corresponding levels of vocational school education or courses for credit included in talent training plans in accordance with the overall planning of education administrative departments. Vocational training includes pre-employment training, on-the-job training, re-employment training, and other vocational training, which may be provided by grade and class according to actual conditions. Vocational training may be carried out by the corresponding vocational training institutions or vocational schools. Other schools or educational institutions as well as enterprises and social organizations may provide various forms of vocational training to the society in accordance with the law according to their capability to provide education and social needs.

The government authorities issued various rules and regulations regarding the reform and promotion of vocational education. For example, the Opinions of the State Council on the Implementation of Lifetime Vocational Skills Training System issued on May 3, 2018 proposes, among others, to improve the policy of lifelong vocational skills training for all workers in urban and rural areas from the beginning of labor preparation to the realization of employment and entrepreneurship and throughout the whole process of learning and career. The Notice of the State Council on Promulgation of the Implementation Plan for National Vocational Education Reform issued on January 24, 2019 provides, among others, that vocational education is as important as general education, and shall be put in a more prominent position in the reform and innovation of education and economic and social development of China. All sectors of the society, especially enterprises, are encouraged and supported to actively support vocational education and focus on cultivating high-quality workers and technical and skilled personnel. The Notice on the Implementation of Vocational skills-Upgrading Action "Internet + Vocational Skills Training Plan" issued on February 17, 2020 proposes, among others, to vigorously carry out online vocational skills training by innovating training methods, making full use of channels such as websites and mobile applications, and expanding the coverage of online vocational skills training, as well as to enrich the resources of online training courses by actively procuring technical colleges, enterprises and social training institutions to develop online training courses, grant access to online training resources, and cooperate with online training platforms to carry out online training. The Opinions on Promoting the High-quality Development of Modern Vocational Education issued on October 12, 2021, targets, among others, fundamental establishment of modern vocational education system, and significant improvement in the appeal and training quality of vocational education by 2025.

Regulations Relating to Internet Advertisement

The PRC Advertisement Law, which was promulgated by the Standing Committee of the National People's Congress on October 27, 1994 and last amended on April 29, 2021, requires advertisers to ensure that the contents of the advertisements are true. The content of advertisements cannot contain prohibited information, including but not limited to: (i) information that harms the dignity or interests of the nation or divulges state secret, (ii) information that contains wordings such as "national level," "highest level," and "best," and (iii) information that contains ethnic, racial, religious, or sexual discrimination. Advertisements posted or published through the internet cannot affect normal usage of network by users. Advertisements published in the form of pop-up window on the internet must display the close button clearly to make sure that the viewers can close the advertisement by one-click.

On February 25, 2023, the PRC State Administration for Market Regulation promulgated the Measures for the Administration of Internet Advertising, which took effect on May 1, 2023. The Measures for the Administration of Internet Advertising Administration regulate any advertisement published on the internet, including but not limited to, those on websites, webpage, and Apps, in the forms of text, picture, audio and video. The measures strengthen the management of pop-up advertisements, link advertisements, and advertorials, among others. The measures stipulate that the promotion of commodities or services in the form of paid listing on the internet must be conspicuously identified as an advertisement. Moreover, they require advertisers, operators, and publishers of internet advertisements containing links to examine the content directed by the next-level link. In addition, internet platform operators are obliged to cooperate with advertising monitoring, assist in supervision, and provide statistical data.

On August 28, 2023, the PRC State Administration for Market Regulation published the Regulatory Enforcement Guidelines on the Identifiability of Internet Advertisements for public comments until September 27, 2023. The guidelines require commercial advertisements released through internet media be identifiable by consumers as advertisements and distinguished by consumers from other non-advertising information without misunderstanding. Internet advertisement publishers may enhance the identifiability of internet advertisements through text annotation or voice prompts, both of which should clearly indicate the advertisement as "advertisement" instead of "sponsorship," "promotion," "recommendation" or "AD," and should be responsible for internet advertisements without identifiability. As of the date of this annual report, there is no timetable as to the enactment of the provisions.

Regulations Relating to Information Security

Internet content in the PRC is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security, enacted by the Standing Committee of the National People's Congress 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, issued by the Ministry of Public Security on December 16, 1997 and amended on January 8, 2011, prohibit 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 legislation regarding the protection of state secrets.

On July 1, 2015, the Standing Committee of the National People's Congress issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet, and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the Standing Committee of the National People's Congress issued the PRC Cybersecurity Law, which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cybersecurity. The PRC Cybersecurity Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backups and encryption. The PRC Cybersecurity Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The PRC Cybersecurity Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The PRC Cybersecurity Law sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure." These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may impact national security. Among other factors, "critical information infrastructure" is defined as critical information infrastructure, that will, in the event of destruction, loss of function or data 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, promulgated by the Ministry of Public Security on December 13, 2005, becoming effective on March 1, 2006, require internet service providers to keep records of certain information about their users (including user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days. Under the PRC Cybersecurity Law, network operators must report any instances of public dissemination of prohibited content. If a network operator fails to comply with these requirements, the PRC government may revoke its ICP License and shut down its websites.

On March 13, 2019, the Office of the Central Cyberspace Affairs Commission and the State Administration for Market Regulation jointly issued the Notice on App Security Certification and the Implementation Rules on Security Certification of Mobile Internet Application, which encourages mobile application operators to voluntarily obtain app security certification, and search engines and app stores are encouraged to recommend certified applications to users.

On July 22, 2020, the Ministry of Public Security published the Guiding Opinions on the Implementation of Cybersecurity Hierarchical Protection System and Critical Information Infrastructure Security Protection System, which require, among others, a scientific determination of the cybersecurity protection level based on the importance of network (including network facilities, information system, and data resources) in national security, economic construction, and social life, as well as various factors such as the degree of harm after its destruction, to implement hierarchical protection and supervision, with emphasis on ensuring the security of critical information infrastructure and networks at or above the third level.

On June 10, 2021, the Standing Committee of the National People's Congress issued the PRC Data Security Law, which became effective on September 1, 2021. The PRC Data Security Law provides a national data security review system, under which, data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. Any organizational or individual data processing activities that violate the PRC Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances.

The Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities, promulgated by the General Office of the CPC Central Committee and the General Office of the State Council on July 6, 2021, call for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. The opinions also called for the improvement of the laws and regulations on data security, cross-border data flow and confidential information management, and proposed to revise the provisions on strengthening confidentiality and archive administration of overseas issuance and listing of securities, to consolidate responsibility for information security of overseas listed companies, and to strengthen the standardized management of the cross-border information provision mechanism and process.

On July 30, 2021, the State Council promulgated the Regulations for the Security Protection of Critical Information Infrastructure, which became effective on September 1, 2021, defining "critical information infrastructures" as important network facilities and information systems in important industries including public communications and information services, as well as those that may seriously endanger national security, national economy, people's livelihood, or public interests in the event of damage, loss of function, or data leakage. On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security, providing that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing in a foreign country of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. The CAC solicited comments until December 13, 2021, but there is no timetable for its enactment. On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC governmental authorities jointly promulgated the Cybersecurity Review Measures, which took effect on February 15, 2022. According to the Cybersecurity Review Measures, critical information infrastructure operators that intend to purchase internet products and services and internet platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review, and an internet platform operator possessing personal information of over one million users and intending to be listed on a foreign stock exchange must be subject to the cybersecurity review.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-Border Data Transmission, which took effect on September 1, 2022. In accordance with these measures, data processors will be subject to security assessment conducted by the CAC prior to any cross-border data transmission if it involves (i) important data, (ii) personal information transmitted overseas by a critical information infrastructure operator or a data processor that has processed personal data of more than one million persons, (iii) personal information transmitted overseas by a data processor who has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of last year, or (iv) other circumstances as requested by the CAC. In addition, data processors are required to conduct self-assessment on the risks of cross-border data transmission prior to their applying for the security assessment and focus on assessment of the following significant matters, including, among others: (i) the legality and necessity of the purpose, scope, and method of cross-border data transmission, (ii) the scale, scope, type, and sensitivity of data transmitted overseas, and risks to the national security, public interests, or legitimate rights of individuals or organizations caused by such cross-border data transmission, (iii) the responsibilities and obligations that the overseas recipient of such data promises to undertake, and whether such overseas recipient's management and technical measures and capabilities for performing its responsibilities and obligations can guarantee the security of cross-border data transmission, (iv) the risks that the data transmitted overseas may be falsified, destroyed, divulged, lost, transferred, illegally obtained, or illegally used during and after the cross-border transmission, and (v) whether contracts or other legally binding documents entered into with the overseas recipient have fully stipulated the responsibilities and obligations to protect data security. Furthermore, any cross-border data transmission activities conducted in violation of the Measures for the Security Assessment of Cross-Border Data Transmission before the effectiveness of the measures, which is September 1, 2022, are required to be rectified within six months of the effectiveness date.

On February 22, 2023, the CAC promulgated the Provisions on the Standard Contract for Personal Information Outbound Transfer, which became effective on June 1, 2023. The provisions state that the personal information processor who provides personal information abroad through execution of standard contract shall meet certain criteria, conduct an assessment on personal information protection impact before providing any personal information abroad, and complete the filing with local cybersecurity authority within ten working days from the effective date of the standard contract. The provisions attach a sample standard contract for personal information outbound transfer.

On March 22, 2024, the CAC promulgated the Provisions on Facilitating and Regulating Cross-border Data Flow, effective on the same date. The provisions require data processors to identify and declare important data in accordance with the regulations, and provide that, unless the competent departments or areas so notify or publicly release certain data as important data, the data processors do not need to apply for security assessment for outbound important data transfer for such data. The provisions set forth various circumstances exempted from application for security assessment for outbound data transfer, execution of a standard contract for personal information outbound transfer and passing of the certification for personal information protection. To the extent in compliance with the national data classification and hierarchical protection system framework, the provisions allow the pilot free trade zones to promulgate their own negative list of data requiring application for security assessment for outbound data transfer, execution of a standard contract for personal information outbound transfer or passing of the certification for personal information. The provisions further provide for, subject to exemptions set forth therein and negative lists of pilot free trade zones, circumstances requiring application for security assessment for outbound data transfer, execution of a standard contract for personal information outbound transfer or passing of the certification for personal information protection. A data processor intending to implement outbound data transfer under the following circumstances should apply for security assessment to the CAC: (i) a critical information infrastructure operator intending to provide personal information or important data abroad; or (ii) a data processor that is not a critical information infrastructure operator intending to provide important data abroad, or has since January 1st of the current year cumulatively provided personal information (excluding sensitive personal information) of over one million individuals, or sensitive personal information of over 10,000 individuals, abroad. For any data processors other than the critical information infrastructure operators who have since January 1st of the current year cumulatively provided personal information (excluding sensitive personal information) of over 100,000 and less than one million individuals, or sensitive personal information of less than 10,000 individuals abroad, should execute a standard contract for outbound transfer of personal information with the recipient abroad or pass the certification for personal information protection. The approval for security assessment for outbound data transfer is valid for three years and may be applied for extension if the data processors need to carry on its outbound data transfer activities and there occurs no circumstance requiring re-application for security assessment for outbound data transfer. To the extent that any provision set forth in the Measures for the Security Assessment of Cross-Border Data Transmission and Provisions on the Standard Contract for Personal Information Outbound Transfer is inconsistent with the provisions set forth in the provisions, the provisions prevail.

According to the official answers to press questions relating to the Provisions on Facilitating and Regulating Cross-border Data Flow, (i) for outbound data transfer activities with approved security assessment prior to the implementation of the provisions, the data processor may carry on such activities in accordance with its security assessment application, (ii) for outbound data transfer activities that failed or partially failed the security assessment prior to the implementation of the provisions yet are exempted from security assessment in accordance with the provisions, the data processor may conduct such activities by executing a standard contract for outbound transfer of personal information or passing the certification for personal information protection, and (iii) for outbound data transfer activities that applied for security assessment or submitted filing for standard contract for outbound transfer of personal information prior to the implementation of the provisions, yet are exempted from such procedures in accordance with the provisions, the data processor may proceed with its previous assessment or filing or withdraw its assessment or filing.

Regulations Relating to Internet Privacy

PRC government authorities enacted laws and regulations 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 Administrative Measures on Internet Information Services prohibits an internet content provision operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party.

The Several Provisions on Regulating the Market Order of Internet Information Services, which were promulgated by the MIIT on December 29, 2011 and became effective on March 15, 2012, stipulate that internet content provision operators must not collect user personal information without user consent. User personal information is defined as user information that can be used alone or in combination with other information to identify the user, and may not provide any such information to third parties without prior user consent. Internet content provision operators may only collect user personal information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information. In addition, an internet content provision operator may only use such user personal information for the stated purposes under the internet content provision operator's scope of service. Internet content provision operators are also required to ensure the proper security of user personal information and take immediate remedial measures if user personal information is suspected to have been disclosed. If the consequences of any such disclosure are expected to be serious, ICP operators must immediately report the incident to the telecommunications regulatory authority and cooperate with the authorities in their investigations.

On December 28, 2012, the Standing Committee of the National People's Congress promulgated the Decision of the Standing Committee of the National People's Congress on Strengthening Online Information Protection with immediate effect. The decision provides that, among others, internet service providers shall abide by the principles of legality, legitimacy and necessity, clearly state the purpose, method and scope of the collection and use of information, obtain the consent of the person whose information is being collected when collecting and using a citizen's personal information during business activities, and shall not violate the provisions of laws and regulations or the agreement between the parties when collecting and using information.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information, which came into effect on September 1, 2013. The majority of the requirements under the order relevant to internet content provision operators are consistent with pre-existing requirements, but they are often more stringent and expansive in 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. Furthermore, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet content provision operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet content provision operators are required to cease any collection or use of the user personal information, and de-register the relevant user account, when a given user stops using the relevant internet service. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

The PRC Cybersecurity Law imposes specific data protection obligations on network operators, including not disclosing, tampering with, or damaging users' personal information that they have collected, as well as the obligation to delete unlawfully collected information and to correct any inaccuracies. Moreover, internet operators are prohibited from providing users' personal information to others without users' consent. Information irreversibly processed to preclude identification of specific individuals is exempt from these rules. Also, the law introduces breach notification requirements that will be applicable to breaches involving personal information.

On February 4, 2015, the CAC promulgated the Provisions on the Administration of Account Names of Internet Users, which became effective on March 1, 2015. These provisions set forth the authentication requirements for the real identity of internet users by requiring users to provide their real names during the registration process. In addition, these provisions specify that internet information service providers are required by these provisions to accept public supervision, and promptly remove illegal and malicious information in account names, profile photos, introductions and other registration-related information reported by the public in a timely manner.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security, and the State Administration for Market Regulation jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps, which restates the requirements 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 Regulations on Cyber Protection of Children's Personal Information effective on October 1, 2019. Pursuant to these regulations, 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 the State Administration for Market Regulation jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps, which list six types of illegal collection and usage of personal information, including "not publishing rules on the collection and usage of personal information" and "not providing privacy rules."

Pursuant to the Ninth Amendment to the PRC Criminal Law, issued by the Standing Committee of the National People's Congress on August 29, 2015, becoming 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, issued on May 8, 2017, becoming effective on June 1, 2017, clarify certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. In addition, on May 28, 2020, the National People's Congress adopted the PRC Civil Code, which came into effect on January 1, 2021. Pursuant to the PRC Civil Code, personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain 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.

The MIIT issued the Notice on the Further Special Rectification of App Infringing upon Users' Personal Rights and Interests on July 22, 2020, which requires that certain conducts of app service providers should be inspected, including, among others, (i) collecting or using personal information without the user's consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive advertisements; (ii) requesting user's permission in a compulsory and frequent manner, or frequently launching third- parties apps; and (iii) deceiving and misleading users into downloading apps or providing personal information. It also sets forth that the period for the regulatory specific inspection on apps and that the MIIT will order the non-compliant entities to modify their business within five business days, or otherwise the MIIT will make public announcement, remove the apps from the app stores or impose other administrative penalties.

On June 1, 2021, the Law of the PRC on the Protection of Minors (2020 Revision), promulgated by the Standing Committee of the National People's Congress, became into effect, specifying stringent requirements for the protection of minors' information.

On August 20, 2021, the Standing Committee of the National People's Congress promulgated the PRC Personal Information Protection Law, which became effective on November 1, 2021. The PRC Personal Information Protection Law sets out specific regulations for handling sensitive personal information which includes personal information that, if leaked or illegally used, may easily harm the dignity of individuals or grave harm to personal or property security, encompassing information related to biometric characteristics, financial accounts, individual location tracking, and the personal information of minors under the age of 14. Personal information handlers shall bear responsibility for their personal information handling activities and adopt the necessary measures to safeguard the security of the personal information they handle. Otherwise, the personal information handlers will be ordered to correct or suspend or terminate the provision of services, confiscation of illegal income, fines or other penalties.

On September 17, 2021, the CAC, together with eight other government authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services. The guidelines provide that daily monitoring of data use, application scenarios, and effects of algorithms must be carried out by the applicable regulators, and the regulators should conduct security assessments of algorithms. The guidelines also provide that an algorithm filing system should be established, and classified security management of algorithms should be promoted.

On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security, and the State Administration for Market Regulation jointly promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation, which took effect on March 1, 2022. The Administrative Provisions on Internet Information Service Algorithm Recommendation, among others, implements classification and hierarchical management for algorithm recommendation service providers based on various criteria, requires algorithm recommendation service providers to inform users of their provision of algorithm recommendation services in a conspicuous manner, and publicize the basic principles, purpose intentions, and main operating mechanisms of algorithm recommendation services in an appropriate manner, and requires such service providers to provide users with options that are not specific to their personal profiles, or convenient options to cancel algorithmic recommendation services.

On June 27, 2022, the CAC promulgated the Provisions on the Administration of Account Names Information of Internet Users effective on August 1, 2022. Pursuant to these provisions, internet user account service platforms shall, among others, establish, improve, and strictly implement account name information management system, information content security system, and personal information protection system, along with an account name information dynamic check patrol system for the verification of identity information.

Regulations Relating to Online Live Streaming Services

On November 4, 2016, the CAC issued the Administrative Regulations on Online Live Streaming Service, effective on December 1, 2016, pursuant to which, all online livestreaming service providers must take various measures during operation of live streaming services, including but not limited to: (i) establishment of platforms for reviewing live streaming content, conducting classification, and grading management according to the online live streaming content categories, user scale, and others, and adding tags to graphics, video, audio, or broadcast tag information for platforms; (ii) conducting verification on online live streaming users with valid identification information (e.g., authentic mobile phone numbers) and validating the registration of online live streaming publishers based on their identification documents (such as identity documents, business licenses, and organization code certificates); (iii) examining and verifying the authenticity of the identification information of online live streaming service publishers, classifying and filing such identification information records with the internet information offices at the provincial level where they are located and providing such information to applicable law enforcement departments upon legal request; (iv) entering into a service agreement with the users of online live streaming services of which the essential clauses should be under guidance of internet information offices at the provincial level, to clarify the rights and obligations of the parties and require them to comply with the laws, regulations, and platform conventions; and (v) establishment of a credit-rating system and a blacklist system, to provide management and services according to such credit rating, prohibiting the re-registration of accounts by online live streaming service users on the blacklist, and promptly reporting such users to the internet information offices.

According to the Administrative Regulations on Online Live Streaming Services, online live streaming service providers and online live streaming publishers that provide internet news information services without licenses, or exceed the scope of their licenses, shall 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 Administrative Regulations on Online Live Streaming Services are subject to punishment by the national and local internet information offices. Furthermore, any violations that constitute criminal offenses may result in criminal investigations or penalties being enforced.

On September 2, 2016, the State Administration of Press, Publication, Radio, Film and Television issued the Circular of the State Administration of Press, Publication, Radio, Film and Television on Issues Concerning Strengthening the Administration of Online Live Streaming of Audio-Visual Programs. According to the circular, appropriate Audio-Visual Permit is a prerequisite for online audio-visual live streaming of general cultural events of social communities, sports events, important political, military, economic, social, and cultural events. Information about specific activities to be streamed shall be filled in advance to the provincial counterparts of the State Administration of Press, Publication, Radio, Film and Television. Online audio-visual live streaming service providers shall censor and tape such programs and retain them for at least 60 days for future check by the administrative departments; and they shall have an established emergency reaction plan in place to replace programs in violation of laws and regulations. Bullet-screen comments shall be forbidden in the live streaming of important political, military, economic, social, sports, and cultural events. Special censor shall be appointed for bullet-screen comments in the live streaming of general cultural events of social communities and sports events. Hosts, guests, and targets hired or invited by online audio-visual live streaming programs shall meet the following requirements: (i) patriotic and law-abiding; (ii) good public reputation and social image, no scandals and no misdeeds; (iii) dress, hairstyle, language, and actions are consistent with public order and good morals, and not drawing topics with vulgar contents or contents inappropriate to discuss in public.

According to the Measures for the Administration of Cyber Performance Business Operations, which were promulgated by the Ministry of Culture on December 2, 2016 and became effective on January 1, 2017, a cyber-performance business entity engaging in cyber performance business operations shall, in accordance with the Interim Administrative Provisions on Internet Culture, submit an application to the cultural administrative department at the provincial level for an Internet Cultural Business License, and the license shall specify the scope of its cyber performance. A cyber-performance business entity shall indicate the number of its Internet Cultural Business License in a conspicuous position on its homepage. According to the 2021 Negative List, foreign investors are prohibited from investing in an entity holding an Internet Cultural Business 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 Internet Cultural Business License (except for music).

According to the Notice on Strengthening the Management of Internet Live Streaming Service issued by Office of the National "Anti- pornography and Anti-illegal" Working Group, the MIIT, the Ministry of Public Security, the Ministry of Culture and Tourism, the National Radio and Television Administration, and the CAC on August 1, 2018, live streaming service providers shall perform website ICP filing procedures with the competent telecommunication department according to law, and live streaming service providers involved in operating telecommunication business and internet news information, network performance, live streaming of audio-visual programs and other businesses shall apply to the departments to obtain licenses for telecommunication business operation, internet news information services, network culture operation, and Audio-Visual Permit, etc., and within 30 days of the live streaming service going online, shall carry out public security registration procedures in accordance with regulations with the public security authorities.

According to the Notice on Strengthening the Administration of the Online Show Live Streaming and E-commerce Live Streaming issued by the National Radio and Television Administration on November 12, 2020, with respect to platforms providing online show live streaming services or e-commerce live streaming services, the overall ratio of front-line content reviewers to online live streaming rooms shall be 1:50 or higher. A platform shall report the number of its live streaming rooms, streamers and content reviewers to the provincial branch of the National Radio and Television Administration on a quarterly basis. Online show live streaming platforms shall tag content and streamers by category. A streamer cannot change the category of the programs offered in his or her live streaming room without prior approval from the platform. Users that are minors or without real-name registration are forbidden from virtual gifting, and platforms shall limit the maximum amount of virtual gifting per time, per day, and per month. When the virtual gifting by a user reaches half of the daily/monthly limit, a consumption reminder from the platform and a confirmation from the user by text messages or other means are required before the next transaction. When the amount of virtual gifting by a user reaches the daily/monthly limit, the platform shall suspend the virtual gifting function for such user for that day or month.

According to the Guiding Opinions on Strengthening the Standardized Management of Network Live Broadcasting issued by CAC, Office of the National "Anti-pornography and Anti-illegal" Working Group, the MIIT, the Ministry of Public Security, the Ministry of Culture and Tourism, the State Administration for Market Regulation and National Radio and Television Administration on February 9, 2021, live streaming platforms that carry out business- oriented network performance activities must hold the Internet Cultural Business License and carry out an ICP filing; live streaming platforms that carry out internet audio-visual program services must hold the Audio-Visual Permit (or complete the registration in the national internet audio-visual platforms information registration and management system) and carry out an ICP filing; live streaming platforms that carry internet news information service must hold internet news information service license. Live streaming platforms shall file with local cyberspace administration office in a timely manner and shall cancel its filing immediately after it ceases to provide live streaming services.

The Law of the PRC on the Protection of Minors (2020 Revision), which was promulgated on October 17, 2020 and became effective on June 1, 2021, provide that, among others, internet live streaming service providers shall not provide minors under age 16 with online live streaming publisher account registration service, and must obtain the consent from parents or guardians and verify the identity of the minors before allowing minors aged 16 or above to register live streaming publisher accounts.

The Regulation on the Protection of Minors in Cyberspace, which were promulgated on October 16, 2023 and became effective on January 1, 2024, provide that, among others, network product and service providers should establish a sound mechanism for early warning, identification and monitoring, and handling of cyberbullying acts. Besides, efforts should be made to protect the privacy information of minors. Personal information processors should strictly limit the access to minors' personal information, and conduct personal information compliance audit.

Regulations Relating to Companies

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law, which was promulgated on December 29, 1993 and last amended on December 29, 2023. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law is also applicable to foreign-invested limited liability companies. However, if other laws regarding foreign investment have established different provisions, these laws shall prevail. The latest amendment of the PRC Company Law will become effective on July 1, 2024. The amendment mainly improves the establishment and exit mechanism of companies, optimizes the organizational structure of companies, specifies shareholder rights, enhances the capital system of companies, and increases the responsibilities of controlling shareholders and management personnel. The amendment imposes a more stringent timeline on capital contributions, requiring the shareholders of a PRC company to pay their subscribed capital within five years from the establishment of the company. As such, we may need to fulfill capital contribution obligations to our subsidiaries or provide financial support to the nominee shareholders of the VIEs within a much shorter time frame than we are currently required.

Regulations Relating to Foreign Investment

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment, or the Encouraging Catalog, and the Special Administrative Measures (Negative List) for Foreign Investment Access, or the Negative List, which were promulgated and amended from time to time by the Ministry of Commerce and the NDRC, and together with the Foreign Investment Law, and their respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: "encouraged," "restricted," and "prohibited." Industries not listed in the Catalog are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws.

On December 27, 2021, the Ministry of Commerce and the NDRC released the 2021 Negative List effective on January 1, 2022, to replace the previous Negative List. On October 26, 2022, the Ministry of Commerce and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2022 Version) effective on January 1, 2023, to replace the previous Encouraging Catalog.

On March 15, 2019, the National People's Congress promulgated the PRC Foreign Investment Law effective on January 1, 2020. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in China, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in China solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within China, (iii) foreign investors investing in new projects in China solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

According to the Foreign Investment Law, foreign investment shall enjoy pre-entry national treatment, except for foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List. The Foreign Investment Law provides that foreign invested entities operating in foreign "restricted" or "prohibited" industries will require entry clearance and other approvals. The Foreign Investment Law 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 Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in China, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited, allows foreign investors' funds to be freely transferred out and into the PRC territory, which run through the entire lifecycle from the entry to the exit of foreign investment, and provide an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. Furthermore, the Foreign Investment Law 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 implementation of the Foreign Investment Law, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law and other laws and regulations governing the corporate governance.

Along with the Foreign Investment Law, the Implementing Rules of Foreign Investment Law promulgated by the State Council and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People's Court became effective on January 1, 2020. The Implementing Rules of Foreign Investment Law further clarify that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, the Ministry of Commerce and the State Administration for Market Regulation jointly promulgated the Measures for Information Reporting on Foreign Investment effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, if 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 Dividend Distribution

The principal laws and regulations governing the distribution of dividends by foreign-invested enterprises in China include the PRC Company Law and the PRC Foreign Investment Law. According to the current regulatory regime in the PRC, foreign-invested enterprises in China are permitted to pay dividends only from their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate a minimum of 10% of its after-tax profit to general reserves until the total of such reserves reaches 50% of its registered capital. Furthermore, a PRC company is prohibited from distributing any profits until any losses from previous fiscal years have been offset.

Regulations Relating to Intellectual Property

Copyright

The PRC has enacted various laws and regulations relating to the protection of copyright. China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

The PRC Copyright Law, promulgated by the Standing Committee of the National People's Congress on September 7, 1990 and last amended on November 11, 2020, becoming effective on June 1, 2021, along with its related implementing regulations issued by the State Council on August 2, 2002 and last amended on January 30, 2013, becoming effective on March 1, 2013, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The purpose of the PRC Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

Under the Regulations on Protection of the Right to Network Dissemination of Information, which took effect on July 1, 2006 and was amended on January 30, 2013, an internet information service provider may be held liable under various situations. This includes scenarios where the provider knows or reasonably should have known about a copyright infringement through the internet and fails to take measures to remove, block, or disconnect links to the relevant content, and where the internet information service provider, even in the absence of awareness of the infringement, fails to take such measures upon receipt of the copyright holder's notice of infringement. The internet information service provider may be exempted from indemnification liabilities under the following circumstances:

(i) any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio/visual products provided by its users is not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio/visual products and (b) it provides such works, performances and audio/visual products to the designated users and prevents any person other than such designated users from obtaining access;

(ii) any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio/visual products obtained from any other internet information service providers, is not required to assume the indemnification liabilities if (a) it has not altered any of the works, performances or audio/visual products that are automatically stored; (b) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works, performances and audio/visual products; and (c) when the original internet information service provider revises, deletes or shields the works, performances and audio/visual products, it will automatically revise, delete or shield the same;

(iii) any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio/visual products to the general public via an informational network is not required to assume the indemnification liabilities if (a) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performances and audio/visual products that are provided by the users; (c) it is not aware of or has no justified reason to know that the works, performances and audio/visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio/visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio/visual products pursuant to the regulation;

(iv) an internet information service provider that provides its users with search engine or link services should not be required to assume the indemnification liabilities if, after receiving a notice from the copyright holder, it disconnects the link to the allegedly infringing works, performances and audio/visual products pursuant to the regulation, unless it is aware of or should reasonably have known the infringement.

The Measures on Administrative Protection of Internet Copyright, which were promulgated by the Ministry of Information Industry, the predecessor of the MIIT, and National Copyright Administration on April 29, 2005 and became effective on May 30, 2005, provide 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. If an internet information service provider is clearly aware of an internet content provider's tortuous 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 is not clearly aware of the infringing act, which results in harm to public benefits, the internet information service provider shall be ordered to stop its infringing act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than 3 times the illegal business amount; if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

The Notice on Regulating Copyright Order of Internet Reproduction issued by the National Copyright Administration on April 17, 2015 includes the following four major points: (i) clarifying 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) guiding 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) encouraging the press and internet media to actively carry out copyright cooperation; and (iv) calling for the copyright administrations at all levels to strictly implement copyright supervision.

The Computer Software Copyright Registration Measures, promulgated by the National Copyright Administration on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent authority for the nationwide administration of software copyright registration and the PRC Copyright Protection Center, is designated as the software registration authority. The PRC Copyright Protection Center shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Computer Software Copyright Registration Measures and the Computer Software Protection Regulations (2013 Revision).

The Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks, which were promulgated by the Supreme People's Court on December 17, 2012 and last amended on December 29, 2020 and came into effect on January 1, 2021, provide that web users or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

The Notice on Launching "Jian Wang 2020" Special Actions Against Internet Piracy and Copyright Infringement, jointly issued by National Copyright Administration, the MIIT, the Ministry of Public, and the CAC in 2020, focuses on carrying out special rectification of audio-visual works copyright and social platform copyright and consolidating the achievements of copyright management in key areas, including strengthening the rectification of the infringements such as plagiarism, adaptation and database copying in the knowledge sharing field and the copyright supervision over major knowledge-sharing platforms.

Trademark

Trademarks are protected by the PRC Trademark Law, 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, which were adopted by the State Council on August 3, 2002 and amended on April 29, 2014. In the PRC, registered trademarks encompass commodity trademarks, service trademarks, collective marks and certification marks.

The PRC Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the trademark office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Patent

Patents are protected by the PRC Patent Law, which was promulgated on March 12, 1984 and last amended on October 17, 2020 and became effective on June 1, 2021, and its Implementation Rules, which were promulgated on January 19, 1985 and last amended on December 11, 2023 by the State Council and became effective on January 20, 2024. 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 applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model, and a fifteen-year term for a design. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the MIIT on August 24, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center is responsible for the daily administration of .cn domain names and Chinese domain names. China Internet Network Information Center adopts the "first to file" principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the MIIT on Regulating the Use of Domain Names in Providing Internet-based Information Services, which became effective on January 1, 2018. Pursuant to the notice, the domain names used by an internet-based information service provider in providing internet- based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity's shareholders), or the entity's principal or senior manager.

Regulations Relating to Foreign Exchange

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules promulgated by the State Council on January 29, 1996, and last amended on August 5, 2008 and various regulations issued by the State Administration of Foreign Exchange and other PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the State Administration of Foreign Exchange or its local branches. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise provided by laws and regulations, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to the PRC rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the State Administration of Foreign Exchange 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 PRC rules and regulations.

Regulations Relating to Offshore Investment

On July 4, 2014, the State Administration of Foreign Exchange promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment, Financing and Round-Trip Investment via Special Purpose Vehicles, or SAFE Circular 37, which regulates the matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, a PRC resident must register with the local counterpart of the State Administration of Foreign Exchange before contributing assets or equity interests in an offshore special purpose vehicle, that is directly established or indirectly controlled by such PRC resident for the purpose of conducting investment or financing. In addition, following the initial registration, in the event of any major change in respect of the offshore special purpose vehicle, including, among other things, a change of offshore special purpose vehicle's PRC resident shareholder(s), the name of the offshore special purpose vehicle, terms of operation, or any increase or reduction of the offshore special purpose vehicle's capital, share transfer or swap, and merger or division, the PRC resident shall complete the change of foreign exchange registration procedures for offshore investment with the local counterpart of the State Administration of Foreign Exchange. According to the procedural guideline as attached to SAFE Circular 37, the principle of review has been changed to "the domestic individual resident shall only register the offshore special purpose vehicle directly established or controlled (first level)." At the same time, the State Administration of Foreign Exchange has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment with respect to the procedures for the registration under SAFE Circular 37, which became effective on July 4, 2014, as an attachment to SAFE Circular 37. Under applicable 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 onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject the 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 State Administration of Foreign Exchange in connection with their investments in the company.

On February 13, 2015, the State Administration of Foreign Exchange promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, effective on June 1, 2015, which further amends SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the State Administration of Foreign Exchange or its local counterpart in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

On March 30, 2015, the State Administration of Foreign Exchange promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or SAFE Circular 19, which was amended on March 23, 2023. According to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises must be subject to the Discretional Foreign Exchange Settlement, which refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

On June 9, 2016, the State Administration of Foreign Exchange issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, which became effective on the same day. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items, including but not limited to foreign currency capital and foreign debts, on a discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. On October 23, 2019, the State Administration of Foreign Exchange promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment, or SAFE Circular 28, which became effective on the same day, and was later amended by the Circular on Further Deepening the Reform to Facilitate Cross-border Trade and Investment promulgated by SAFE on December 4, 2023. SAFE Circular 28 allows non-investment foreign- invested enterprises to use their capital funds to make equity investments in China as long as such investments do not violate the currently effective Negative List and the target investment projects are genuine and in compliance with laws. In addition, SAFE Circular 28 stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt, and overseas listing for the purpose of domestic payments without providing authenticity certifications to the banks in advance for those domestic payments.

Regulations Relating to Stock Incentive Plans

In February 2012, the State Administration of Foreign Exchange promulgated the Notices of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company. Pursuant to this regulation, individuals participating in any stock incentive plan of any overseas publicly listed company, who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, with certain exceptions, are required to register with the State Administration of Foreign Exchange or its local branches and complete certain other procedures through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests, and fund transfers. In addition, the PRC agent is required to amend the registration with the State Administration of Foreign Exchange with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. On behalf of the PRC residents who have the right to exercise the employee share options, the PRC agents must submit application to the State Administration of Foreign Exchange or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the PRC agents before distribution to such PRC residents. Under the Circular of the State Taxation Administration on Issues Concerning Individual Income Tax in Relation to Equity Incentives promulgated by the PRC State Taxation Administration, which became effective on August 24, 2009, listed companies and their domestic organizations shall lawfully withhold and pay individual income tax on such income according to the individual income tax calculation methods for "wage and salary income" and stock option income.

Regulations Relating to Tax

Enterprise Income Tax

The PRC Enterprise Income Tax Law and the Regulations for the Implementation of the Law on Enterprise Income Tax, or collectively, the EIT Laws, were promulgated on March 16, 2007 and December 6, 2007, respectively and were most recently amended on December 29, 2018 and April 23, 2019, respectively. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Laws and the implementing regulations, a uniform rate for enterprise income tax, or EIT, 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 income derived in China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside China.

The Notice of the State Taxation Administration Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People's Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies, or STA Circular 82, promulgated on April 22, 2009 and amended on January 29, 2014 and December 29, 2017, sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. The Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or STA Bulletin 45, which were promulgated on July 27, 2011 and amended on June 15, 2018, further provide guidance on the implementation of STA Circular 82 and clarify certain issues in the areas of resident status determination, post-determination administration, and competent tax authorities' procedures.

According to STA Circular 82, a Chinese-controlled offshore incorporated enterprise is regarded as a PRC tax resident by virtue of having a "de facto management body" in China and subject to the EIT of PRC on its worldwide income only if all of the following criteria are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (iv) 50% or more of voting board members or senior executives habitually reside in China. According to STA Bulletin 45, if provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the PRC-controlled offshore incorporated enterprise.

The EIT Laws permit certain High and New Technology Enterprises to enjoy a reduced 15% EIT rate subject to these enterprises meeting certain qualification criteria and permit certain small low-profit enterprises to enjoy a reduced 20% EIT rate subject to certain conditions. In addition, applicable 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 of the State Taxation Administration on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or STA Bulletin 7, was issued on February 3, 2015 and amended pursuant to the Announcement of the State Taxation Administration on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises, which was issued on October 17, 2017 and amended on June 15, 2018. Pursuant to STA Bulletin 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC Enterprise Income Tax. As a result, gains derived from an indirect transfer may be subject to PRC EIT. According to STA Bulletin 7, "PRC taxable assets" include assets attributed to an establishment or a place of business in China, immoveable 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 immoveable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise, a PRC EIT at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of STA Bulletin 7.

VAT and Business Tax

On March 20, 2019, the Ministry of Finance, the PRC State Taxation Administration, and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform, which came into effect on April 1, 2019. According to the announcement, (i) for general VAT payers' sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT is calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

Dividend Withholding Tax

The PRC Enterprise Income Tax Law provides that since January 1, 2008, an enterprise income tax rate of 10% is normally applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Notice of the State Taxation Administration on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties issued on February 20, 2009, if the PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Announcement of the State Taxation Administration on Issues Relating to "Beneficial Owner" in Tax Treaties, which was issued on February 3, 2018 by the STA and became effective on April 1, 2018, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This notice further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit the relevant documents to the tax bureau according to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits.

Regulations Relating to Employment and Social Welfare

The Labor Contract Law

According to the PRC Labor Law 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 articles of labor protection. The PRC Labor Contract Law, which was implemented on January 1, 2008 and amended on December 28, 2012, primarily aims 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.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations 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 issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council promulgated on December 14, 1998, the Unemployment Insurance Measures promulgated on January 22, 1999 and the Social Insurance Law of the PRC 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, which were 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 bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

Regulations Relating to Unfair Competition and Anti-Monopoly

According to the PRC Anti-unfair Competition Law, promulgated by the Standing Committee of the National People's Congress on September 2, 1993 and last amended with immediate effect on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions set forth therein in its production and operating activities. Operators shall abide by the principle of voluntariness, equality, impartiality, integrity, as well as laws and business ethics during production and operating activities.

The PRC Anti-Monopoly Law, which was promulgated by the Standing Committee of the National People's Congress in 2007 and amended on June 24, 2022 and took effect on August 1, 2022, and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings promulgated by the State Council on August 3, 2008 and last amended on January 22, 2024, require that if a concentration reaches one of the following thresholds, a declaration must be lodged in advance with the anti-monopoly law enforcement agency under the State Council, or otherwise the concentration shall not be implemented: (i) during the previous fiscal year, the total global turnover of all undertakings participating in the concentration exceeded RMB12 billion, and at least two of these undertakings each had a turnover of more than RMB800 million within China; or (ii) during the previous fiscal year, the total turnover within China of all the undertakings participating in the concentration exceeded RMB4 billion, and at least two of these undertakings each had a turnover of more than RMB800 million within China. Pursuant to the Anti-Monopoly Law, operators of a concentration of undertakings which reaches the standard for declaration shall make an advance declaration to the anti-monopoly law enforcement authority under the State Council. If any business operator fails to comply with the mandatory declaration requirement, the government authority is empowered to order the operator to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within a certain period of time and impose fines of up to 10% of its sales revenue in the previous year if the concentration of business operator has or may have an effect of excluding or limiting competition; or up to RMB5,000,000 if the concentration of business operator does not have an effect of excluding or limiting competition. The Anti-Monopoly Law also requires applicable government authorities to strengthen the examination of concentration of undertakings in certain key industries, such as national economy and people's livelihood.

In February 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector, which provides that the calculation of turnover in the field of platform economy may be different depending on the business model of the operators: for platform operators who only provide information matchings and collect commissions, their turnovers should be calculated including the service fee charged by the platform and other platform income; for the platform operators who participate in the market competition on the platform side, their turnovers shall be calculated including the transaction amount involved in the platform and other platforms. The concentration of undertakings involving the agreement control (VIE) structure falls within the scope of the antitrust review of concentration of undertakings. Where the concentration of undertakings meets the declaration standards set by the State Council, the operators shall declare to the Anti-Monopoly Law Enforcement Agency of the State Council in advance, and the concentration shall not be implemented if the concentration is not declared.

On March 10, 2023, the State Administration for Market Regulation further issued multiple regulations ancillary to the PRC Anti-Monopoly Law, namely, the Measures for Examination of Concentration of Undertakings, the Provisions on the Prohibition of Monopoly Agreements, the Provisions on the Prohibition of Acts of Abuse of Dominant Market Positions, and the Provisions on Curbing the Abuse of Administrative Power to Exclude or Restrict Competition. All of these regulations took effect on April 15, 2023. These regulations have, among other things, elaborated the specific requirements under the PRC Anti-Monopoly Law, optimized the regulatory and enforcement procedures and imposed more stringent legal responsibilities on the relevant parties. Specifically, the Measures for Examination of Concentration of Undertakings have clarified the factors to be considered for the recognition of "control" and "implementation of concentration" under the review mechanism of concentration of undertakings, and elaborated the implementation rules regarding the suspension of review. According to the Measures for Examination of Concentration of Undertakings, if a concentration of undertakings does not meet the threshold for declaration, but there is evidence suggesting that it has or may have the effect of excluding or limiting competition, the State Administration for Market Regulation may order the involved operators to file the concentration of undertakings.

M&A Rules and Overseas Listing

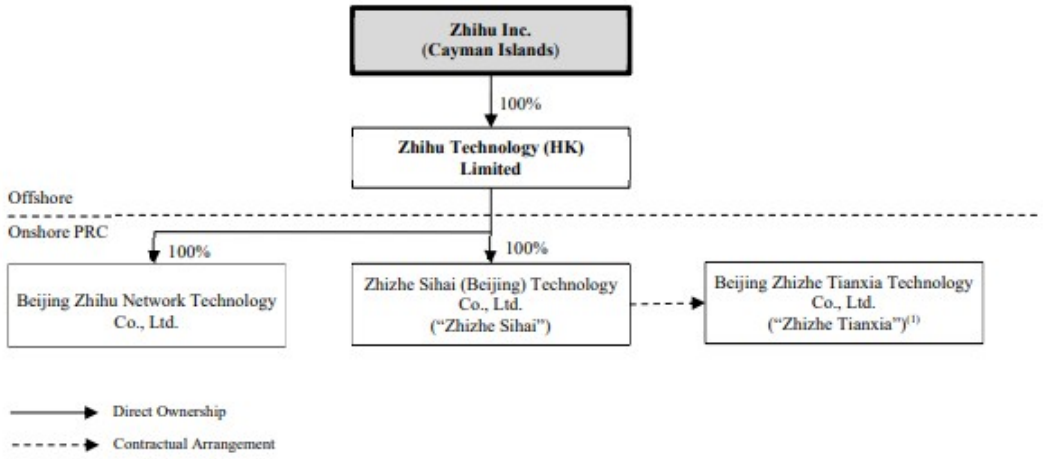
On August 8, 2006, six PRC government and regulatory authorities, including the Ministry of Commerce and the CSRC, promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which took effect on September 8, 2006 and was amended on June 22, 2009. The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors require, among others, that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, must obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

In addition, in 2011, the General Office of the State Council promulgated the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. To implement Circular 6, the Ministry of Commerce promulgated the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors effective in September 2011. Under Circular 6, security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the foregoing regulations, the Ministry of Commerce will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If the Ministry of Commerce decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and the Ministry of Commerce under the leadership of the State Council, to carry out a security review. The rules prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the internet content business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors are subject to the Ministry of Commerce's review. On December 19, 2020, the NDRC and the Ministry of Commerce jointly promulgated the Measures for the Security Review for Foreign Investment effective on January 18, 2021, which, among other things, set forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes, and procedures. Foreign investor or relevant parties in China must declare the security review to the aforesaid office prior to their investments in important cultural products and services, important information technology and internet products and services, important financial services, key technologies, and other important fields relating to national security and obtain control in the target enterprise.

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures and five supporting guidelines, which took effect on March 31, 2023. According to the Overseas Listing Trial Measures, domestic companies that seek to offer or list its securities overseas, either directly or indirectly, should fulfill filing procedure with, and report relevant information to, the CSRC. If a domestic company fails to complete the filing procedure, conceals any material fact, or falsifies any major content in its filing documents, the domestic company may be subject to administrative penalties, such as order to rectify, warnings, and fines, and its controlling shareholders, actual controllers, the person directly in charge, and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. Furthermore, if the issuer meets both of the following conditions, the overseas offering and listing should be determined as an indirect overseas offering and listing by a domestic company: (a) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period, and (b) its major operational activities are carried out in China, its main places of business are located in China, or most of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in China. Additionally, the measures stipulate that if a domestic company seeks to indirectly offer and lists its securities in an overseas market, the issuer should designate a major domestic operating entity responsible for all filing procedures with the CSRC. Domestic companies that do not comply with the Overseas Listing Trial Measures by failing to perform filing procedures should be simultaneously ordered by the CSRC to make correction, receive a warning, and face a fine ranging from RMB1 million to RMB10 million. The individuals directly responsible and other accountable personnel should receive a simultaneous warning and face a fine ranging from RMB500,000 to RMB5 million.

C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries and the VIEs as of the date of this annual report.



Notes:

(1) Yuan Zhou and Dahai Li, our director and chief technology officer, each holds 98.941% and 0.059% of the equity interests in Zhizhe Tianxia, respectively, and Beijing Radio and Television Station, a third-party minority shareholder, holds 1% of the equity interests in Zhizhe Tianxia.

(2) Yuan Zhou and Rongle Zhang, our employee, each holds 99.0% and 1.0% of the equity interests in Wuhan Xinyue, one of the VIEs. Wuhan Xinyue and its shareholders entered into a series of contractual arrangements with our PRC subsidiary Wuhan Bofeng. Wuhan Xinyue owns, through its subsidiaries, 55% equity interests in each of Shanghai Pinzhi and Shanghai Biban. Shanghai Pinzhi and its shareholders entered into a series of contractual arrangements with our PRC subsidiary Shanghai Zhishi, and Shanghai Biban and its shareholders entered into a series of contractual arrangements with our PRC subsidiary Shanghai Paya.

Contractual Arrangements with the VIEs and Their Shareholders

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunication services and certain other businesses. Zhihu Inc. is an exempted company with limited liability established in the Cayman Islands. To comply with PRC laws and regulations, we conduct certain of our businesses in China through Zhizhe Tianxia, Shanghai Pinzhi, Shanghai Biban, and Wuhan Xinyue, the VIEs, based on a series of contractual arrangements by and among our WFOEs, the VIEs, and their shareholders.

Our contractual arrangements with the VIE and their shareholders allow us to (i) exercise effective control over the VIEs, (ii) receive substantially all of the economic benefits of the VIEs, and (iii) have an exclusive option to purchase all or part of the equity interests in the VIEs when and to the extent permitted by the PRC law.

As a result of our direct ownership in our WFOEs and the contractual arrangements with the VIEs, we are regarded as the primary beneficiary of the VIEs, and we treat the VIEs and their subsidiaries as our consolidated entities under U.S. GAAP. We have consolidated the financial results of the VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

In April 2024, Beijing Radio and Television Station, or BRTS, completed its investment of RMB0.2 million in Zhizhe Tianxia to acquire 1% of Zhizhe Tianxia's enlarged registered capital. BRTS is not a party to the contractual arrangements currently in effect among Zhizhe Sihai, Zhizhe Tianxia, and other shareholders of Zhizhe Tianxia. Therefore, although we still enjoy economic benefits and exercise effective control over Zhizhe Tianxia and its subsidiaries, we are unable to mandatorily purchase, or have BRTS pledge, the 1% equity interests in Zhizhe Tianxia in the same manner as agreed under existing contractual arrangements, nor are we granted the authorization of the voting rights of the 1% equity interests. We believe Zhizhe Sihai still controls and is the primary beneficiary of Zhizhe Tianxia for accounting purposes, as it continues to have a controlling financial interest in Zhizhe Tianxia pursuant to ASC 810-10-25-38A after the issuance of such 1% equity interests.

The following is a summary of the currently effective contractual arrangements by and among our WFOEs, the VIEs, and their respective shareholders.

Agreements that provide us with effective control over the VIEs

Exclusive Business Cooperation Agreements

Zhizhe Tianxia entered into an exclusive business cooperation agreement with Zhizhe Sihai on December 21, 2021, pursuant to which Zhizhe Tianxia agrees to engage Zhizhe Sihai as its exclusive provider of business support, technical and consulting services, including without limitation technical services, network support, business consultation, intellectual property licensing, equipment and leasing, market consultancy, system integration, product research and development and system maintenance, and management consulting services relating to Zhizhe Tianxia's operations, in exchange for service fees. Under these arrangements, the service fees, subject to Zhizhe Sihai's adjustment, are equal to all of the net profit of Zhizhe Tianxia and its subsidiaries. Zhizhe Sihai may adjust the service fees at its sole discretion, after consideration of certain factors, including but not limited to the deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, and may also include accumulated losses of Zhizhe Tianxia and its subsidiaries from previous financial periods. If Zhizhe Tianxia runs into financial deficit or suffers severe operation difficulties, Zhizhe Sihai will provide financial support to Zhizhe Tianxia.

Intellectual property rights are developed during the normal course of business of Zhizhe Tianxia and its subsidiaries. Pursuant to the exclusive business cooperation agreement, Zhizhe Sihai will have the exclusive and proprietary rights to all intellectual properties developed by Zhizhe Tianxia and its subsidiaries, in connection with performance of the exclusive business cooperation agreement.

Unless otherwise terminated early by Zhizhe Sihai, the exclusive business cooperation agreement remains effective unless terminated in the event that (a) the entire equity interests held by the shareholders in Zhizhe Tianxia or the entire assets of Zhizhe Tianxia have been transferred to Zhizhe Sihai; (b) in accordance with the other provisions of the exclusive business cooperation agreement.

Shanghai Pinzhi entered into an exclusive technology development, consultancy and services agreement with Shanghai Zhishi on September 7, 2021, pursuant to which Shanghai Pinzhi agrees to engage Shanghai Zhishi as its exclusive provider of technology development, consultancy and services in exchange for service fees. The service fees shall be equal to the total consolidated net profit of Shanghai Pinzhi, after deducting the business expenses as confirmed by both parties. Shanghai Zhishi may adjust the service fees at its sole discretion, taking into account the content of the services provided during the year and the business need of Shanghai Pinzhi. Shanghai Zhishi may provide financial support to Shanghai Pinzhi to ensure Shanghai Pinzhi can meet its operational cash flow requirements and/or to support it when it suffers operational losses. Unless otherwise terminated early by mutual agreement or pursuant to provisions set forth therein, the exclusive technology development, consultancy and services agreement will expire on September 7, 2041. The remaining principal terms of the exclusive technology development, consultancy and services agreement are substantially similar to those under the Zhizhe Tianxia exclusive business cooperation agreement as set out above.

Shanghai Biban entered into an exclusive technology development, consultancy and services agreement with Shanghai Paya on November 9, 2021, the principal terms of which are substantially the same as those under the Shanghai Pinzhi exclusive technology development, consultancy and services agreement.

Wuhan Xinyue entered into an exclusive business cooperation agreement with Wuhan Bofeng on July 31, 2023, the principal terms of which are substantially the same as those under the Zhizhe Tianxia exclusive business cooperation agreement as set out above.

Shareholders' Rights Entrustment Agreement and Powers of Attorney

Pursuant to the shareholder's rights entrustment agreement entered into among Mr. Yuan Zhou, Mr. Dahai Li, Zhizhe Sihai, and Zhizhe Tianxia on December 21, 2021 and the irrevocable power of attorney executed by each of Mr. Yuan Zhou and Mr. Dahai Li, who collectively holds 99% of the equity interests in Zhizhe Tianxia, on the same day, whereby each of Mr. Yuan Zhou and Mr. Dahai Li appointed Zhizhe Sihai or a director of its offshore holding company or his successor (including a liquidator replacing such director) as their exclusive agent and attorney to act on their behalf on all matters concerning Zhizhe Tianxia and its subsidiaries and to exercise all of its rights as a registered shareholder of Zhizhe Tianxia; such attorney cannot be the shareholder himself or another shareholder of Zhizhe Tianxia. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to appoint the legal representative (chairperson), the director, supervisor, the chief executive officer (or general manager) and other senior management members of Zhizhe Tianxia. The authorized person is entitled to sign minutes, file documents with the companies registry and exercise voting rights in Zhizhe Tianxia on behalf of each of Mr. Yuan Zhou and Mr. Dahai Li. As a result of the shareholders' rights entrustment agreement and the powers of attorney, we, through Zhizhe Sihai, are able to exercise management control over the activities that most significantly impact the economic performance of Zhizhe Tianxia. The shareholders' rights entrustment agreement and the powers of attorney shall automatically terminate once Zhizhe Sihai or its designee directly holds the entire equity interests in and/or the entire assets of Zhizhe Tianxia once permitted under the then PRC laws and Zhizhe Sihai or its designee is allowed to conduct the applicable businesses of Zhizhe Tianxia.

The shareholders of Shanghai Pinzhi each entered into a power of attorney on September 7, 2021, in favor of Shanghai Zhishi, the principal terms of which are substantially similar to those under the Zhizhe Tianxia shareholders' rights entrustment agreement and powers of attorney as set out above, except that the Shanghai Pinzhi power of attorney shall terminate upon the earlier of (a) the shareholder ceasing to be a shareholder of Shanghai Pinzhi and (b) when the attorney terminates such power of attorney by written notice to the shareholder.

The shareholders of Shanghai Biban each entered into a power of attorney on November 9, 2021 in favor of Shanghai Paya, the principal terms of which are substantially the same as those under the Shanghai Pinzhi powers of attorney.

Wuhan Xinyue, the shareholders of Wuhan Xinyue and Wuhan Bofeng entered into a shareholder's rights entrustment agreement on July 31, 2023, the principal terms of which are substantially similar to those under the Zhizhe Tianxia shareholders' rights entrustment agreement as set out above. In addition, the shareholders of Wuhan Xinyue each entered into a power of attorney on July 31, 2023 in favor of Wuhan Bofeng, the principal terms of which are substantially the same as those under the Zhizhe Tianxia power of attorney as set out above.

Share Pledge Agreement

Zhizhe Tianxia, Mr. Yuan Zhou, Mr. Dahai Li, and Zhizhe Sihai entered into a share pledge agreement on December 21, 2021, pursuant to which Mr. Yuan Zhou and Mr. Dahai Li will pledge all of their respective equity interests in Zhizhe Tianxia to Zhizhe Sihai as collateral security for any or all of their payments due to Zhizhe Sihai and to secure performance of their obligations under the exclusive business cooperation agreement, the exclusive option agreement, shareholders' rights entrustment agreement and the powers of attorney. The share pledge agreement remains effective until (i) all obligations of Zhizhe Tianxia, Mr. Yuan Zhou and Mr. Dahai Li are satisfied in full; (ii) Zhizhe Sihai exercises its exclusive option to purchase the entire equity interests held by Mr. Yuan Zhou and Mr. Dahai Li and/or the entire assets of Zhizhe Tianxia pursuant to the exclusive option agreement when it is permitted to do so under the applicable PRC laws; (iii) Zhizhe Sihai exercises its unilateral and unconditional right of termination; or (iv) the share pledge agreement is required to be terminated in accordance with applicable PRC laws. Should an event of default occur, unless it is successfully resolved to Zhizhe Sihai's satisfaction within 30 days upon being notified by Zhizhe Sihai, Zhizhe Sihai may demand that Zhizhe Tianxia immediately pay all outstanding payments due under the exclusive business cooperation agreement, repay any loans and make all other payments due to it, and/or dispose of the pledged equity interests and use the proceeds to repay any outstanding payments due to Zhizhe Sihai. Mr. Yuan Zhou and Mr. Dahai Li have pledged their equity interests in Zhizhe Tianxia to Zhizhe Sihai and registered such pledges with the PRC governmental authority pursuant to PRC laws and regulations.

Shanghai Pinzhi, the shareholders of Shanghai Pinzhi, and Shanghai Zhishi entered into a share pledge agreement on September 7, 2021, which shall terminate upon all obligations of Shanghai Pinzhi and its shareholders under the exclusive technology development, consultancy and services agreement, the exclusive option agreement and the powers of attorney are satisfied in full. The remaining principal terms of this share pledge agreement are substantially similar to those under the Zhizhe Tianxia share pledge agreement as set out above.

Shanghai Biban, the shareholders of Shanghai Biban and Shanghai Paya entered into a share pledge agreement on November 9, 2021, the principal terms of which are substantially the same as those under the Shanghai Pinzhi share pledge agreement.

Wuhan Xinyue, the shareholders of Wuhan Xinyue and Wuhan Bofeng entered into a share pledge agreement on July 31, 2023, the principal terms of which are substantially the same as those under the Zhizhe Tianxia share pledge agreement as set out above.

Agreements that provide us with the option to purchase the equity interests in and assets of the VIEs

Exclusive Option Agreements

Zhizhe Tianxia, Mr. Yuan Zhou, and Mr. Dahai Li entered into an exclusive option agreement with Zhizhe Sihai dated December 21, 2021, pursuant to which Zhizhe Sihai or its designee is granted an irrevocable and exclusive right to purchase all of the equity interest in and/or assets of Zhizhe Tianxia for a nominal price, unless the government authorities or the PRC laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request. Subject to the PRC laws and regulations, Mr. Yuan Zhou and Mr. Dahai Li and/or Zhizhe Tianxia shall return any amount of purchase price they have received to Zhizhe Sihai or its designee. At Zhizhe Sihai's request, Mr. Yuan Zhou and Mr. Dahai Li will promptly transfer their respective equity interests in and/or the relevant assets of Zhizhe Tianxia to Zhizhe Sihai or its designee after Zhizhe Sihai exercises its purchase right. Unless otherwise terminated early by Zhizhe Sihai through written notice, the exclusive option Agreement remains effective until when all the purchased equity interests and/or the relevant assets are transferred to Zhizhe Sihai and/or the designee and Zhizhe Sihai and its subsidiaries have the right to legally conduct the business of Zhizhe Tianxia according to the PRC law.

During the term of the exclusive option agreement, Zhizhe Tianxia is not allowed to, and shall procure its subsidiaries not to, sell, transfer, mortgage or otherwise dispose of any of its assets (exceeding the value of RMB1 million) without the prior written consent of Zhizhe Sihai. In addition, Mr. Yuan Zhou and Mr. Dahai Li are not allowed to request for any distributions, gains or other form of profits sharing and should forgo such distributions, gains or any other form of profits sharing within the scope permitted by the PRC law. In the event that Mr. Yuan Zhou and/or Mr. Dahai Li receives any distribution from Zhizhe Tianxia and/or its subsidiaries and subject to the PRC laws, they must immediately pay or transfer such distribution to Zhizhe Sihai or its designee. If Zhizhe Sihai exercises its purchase right, all or any part of the equity interests in and/or assets of Zhizhe Tianxia acquired would be transferred to Zhizhe Sihai and the benefits of equity ownership and/or assets, as applicable, would flow to us and our Shareholders.

As provided in the exclusive option agreement, without the prior written consent of Zhizhe Sihai, Zhizhe Tianxia shall not, and shall procure its subsidiaries not to, among other things, (i) sell, transfer, pledge or dispose of in any manner any of its assets for a value more than RMB1 million; (ii) execute any material contract for a value more than RMB1 million, except any contracts in the ordinary course of business and any contracts entered into with any members of our group; (iii) provide any loan, financial support, pledge or guarantees in any form to any third party, or allow any third party create any pledge or other security interest on its assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business of Zhizhe Tianxia or not disclosed and consented to by Zhizhe Sihai; (v) enter into any consolidation or merger with any third party, or acquire or invest in any third party; or (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. As such, the potential adverse effect on Zhizhe Sihai and us in the event of any loss suffered from Zhizhe Tianxia and/or its subsidiaries can be limited to a certain extent.

Shanghai Pinzhi entered into an exclusive option agreement with Shanghai Zhishi on September 7, 2021, pursuant to which Shanghai Zhishi or its designee is granted an irrevocable and exclusive right to purchase all of the equity interest in and/or assets of Shanghai Pinzhi for RMB10 or the lowest amount allowed by PRC laws and regulations. The exclusive option agreement shall take effect from the date of signing and terminate when all the purchased equity interests and/or assets are transferred to Shanghai Zhishi or its designee. The remaining principal terms of the exclusive option agreement are substantially similar to those under the exclusive option agreement, except that the materiality threshold under the Shanghai Pinzhi exclusive option agreement for the corporate actions that require Shanghai Zhishi's consent is RMB500 thousand.

Shanghai Biban entered into an exclusive option agreement with Shanghai Paya on November 9, 2021, the principal terms of which are substantially the same as those under the Shanghai Pinzhi exclusive option Agreement.

Wuhan Xinyue entered into an exclusive option agreement with Wuhan Bofeng on July 31, 2023, the principal terms of which are substantially the same as those under the Zhizhe Tianxia exclusive option agreement as set out above.

D. Property, Plants and Equipment

Our principal place of business is located in Beijing, China. As of March 31, 2024, we had 12 leases in effect for properties in Beijing and other cities in China with an aggregate gross floor area of over 25,200 square meters. These leases vary in duration from approximately 6 to 42 months.

Our leased properties in China serve as our offices and data centers. We believe that there is sufficient supply of properties in China, and thus we do not rely on existing leases for our business operations.

As of March 31, 2024, one landlord of our leased properties in China had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Consequently, if this lease is terminated as a result of challenges by third parties, we may not be able to continue to use the leased property. We believe that alternative premises are available at reasonable market rates if we were forced to relocate our premises which lack valid title certificates.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branches of the PRC Ministry of Housing and Urban Development. As of March 31, 2024, we had completed lease registration of one property, but not others, among the properties we leased in China, primarily due to the difficulty of procuring the landlords' cooperation to register such leases. Our landlords will need to cooperate for the registration of such leases. Our PRC legal counsel has advised us that the lack of registration for the lease contracts will not affect the validity of such lease contracts under PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for each incident of noncompliance of lease registration requirements.

Item 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information—D. Risk Factors" or in other parts of this annual report.

A. Operating Results

Since we launched our business in 2010, we have been dedicated to expanding our content and service offerings to meet the diverse needs of our users, content creators, and business partners. We have grown from a Q&A community into one of the largest comprehensive online content communities in China. Our average MAUs increased by 4.0% from 101.3 million in 2022 to 105.3 million in 2023. Our average monthly subscribing members increased by 47.5% from 9.8 million in 2022 to 14.5 million in 2023. As of December 31, 2023, Zhihu had 71.3 million cumulative content creators, who had contributed 774.7 million cumulative pieces of content covering over 1,000 verticals. We continue to launch new monetization channels such as offering vocational training. We believe that we are still in an early stage of monetization with significant potential for growth across multiple monetization channels.

Our revenues increased from RMB3.0 billion in 2021 to RMB3.6 billion in 2022, and further to RMB4.2 billion (US$591.4 million) in 2023, representing a compound annual growth rate of 19.1% from 2021. Our gross profit increased from RMB1.6 billion in 2021 to RMB1.8 billion in 2022, and further to RMB2.3 billion (US$323.4 million) in 2023. Our net loss was RMB1.3 billion in 2021, RMB1.6 billion in 2022, and RMB839.5 million (US$118.2 million) in 2023. We had net operating cash outflows of RMB440.2 million, RMB1.1 billion, and RMB415.5 million (US$58.5 million) in 2021, 2022, and 2023, respectively.

Key Factors Affecting Our Results of Operations

Our results of operations are affected by the following factors.

Our content offerings

As an online content community, the overall scale of our user base, level of user engagement, and content creation all depend on the breadth, depth, richness, and quality of our content offerings. As of December 31, 2023, our community had 774.7 million cumulative pieces of content, including 592.8 million cumulative Q&As. The ever-growing Zhihu content has expanded to include timely content covering trending events to satisfy the needs and improve the experience of our increasingly diverse user base. In addition, our constantly broadening content coverage and diverse content formats cater to our users' continually evolving preferences. We have been deepening our content and adding new product categories to cover a wider spectrum of content consumption scenarios in our users' daily lives. We will continue to motivate and support content creators to create more high-quality content. Furthermore, we have developed and will continue to develop utilities and incentives to facilitate the content creation process.

Our user base

Our business and revenue growth rely on our ability to further grow our user base. Our vibrant community helps us motivate content creators to produce more high-quality content, which further stimulates user interactions and spending. With the fast-growing user base, more content creators have emerged on Zhihu. We provide multiple channels for content creators to monetize their contributions in our community.

Our user base has continued to grow. Our average MAUs increased from 95.9 million in 2021 to 101.3 million in 2022, and then to 105.3 million in 2023. Benefiting from our expanding user base and comprehensive content offerings, we have created a vibrant community with increasing numbers of subscribing members and other customers. For example, our average monthly subscribing members increased significantly from 5.1 million in 2021 to 9.8 million in 2022, and further to 14.5 million in 2023. In addition, the growth of our user base has attracted more merchants and brands to our community and increased their spending to pursue more effective branding and advertising.

Our content-centric monetization

Our revenue and business scale depend on our ability to further enhance our monetization by optimizing the effectiveness of our diversified monetization model for each revenue stream and expanding our revenue streams.

We have been expanding our service offerings to meet the diverse needs of our users, content creators and business partners. We have been enhancing our content-centric monetization in each of our revenue streams, including marketing services, paid membership, vocational training and other services. The willingness of our users to pay for premium content largely depends on the breadth, depth, and quality of our premium content, and thus better premium content could result in higher value for our paid membership services. Our rich content offerings and user base attract more merchants and brands to promote their products and services and achieve other commercial goals through our marketing services. In addition to continuously expanding our customer base via our diversified service offerings, we plan to further improve the effectiveness of our monetization channels and increase the spending of our existing merchants and brands as well as paying users.

We have consistently explored additional content-centric monetization channels and added new revenue streams. For example, we have launched our vocational training and e-commerce services to expand our vertical service coverage and meet user demand. We plan to further expand the monetization of our content community and seek to further diversify our revenue streams.

Our operating efficiency

Our efficiency and margin depend on our ability to strategically increase our scale and manage our costs and expenses. As the majority of our content is generated by users, we benefit from our organically generated, diverse content that stimulates interactions among users and content creators, as well as efficient content acquisition. We also deploy resources to strategically acquire high-quality content to enrich our premium content library. As we continue to expand our revenue streams, our revenue mix and ability to manage the level of revenue sharing with content providers might also affect our gross profit margin.

We seek to continually optimize our expense structure. Our operating efficiency is significantly affected by our user acquisition strategy. We actively engage in sales and marketing efforts to capture marketing opportunities from which we can effectively increase our user base while focusing on more precise and effective ways of user acquisition. To further drive our sales and marketing effectiveness, we will continue to enhance our brand recognition to achieve organic user acquisition and retention.

Our people and technology

We focus on investing in our people and technology, which are crucial for us to enrich our content offerings, further grow our user base, incentivize content creators, and attract merchants and brands. We recruit, retain, and motivate talented employees to support our growth. Our technology infrastructure supports our business model in various respects, including understanding our users, optimizing our content offerings, promoting interaction and engagement between our users and content creators, nurturing our community, and enhancing our service offerings. We will continue to develop and apply artificial intelligence technologies to keep pace with the growth of our business, scale our content offerings, and improve operating efficiency. We will continue to invest in people and technology to facilitate our future growth.

Key Components of Results of Operations

Revenue

We generate revenue primarily through (i) marketing services, (ii) paid membership, (iii) vocational training, and (iv) other services. The following table sets forth a breakdown of revenue by type both in absolute amount and as a percentage of our revenue for the periods indicated.

	For the Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Revenue							
Marketing services[(1)]	2,134,872	72.1	1,956,480	54.3	1,652,992	232,819	39.4
Paid membership	668,507	22.6	1,230,804	34.1	1,826,557	257,265	43.5
Vocational training[(2)]	45,823	1.6	248,266	6.9	565,585	79,661	13.5
Others[(2)]	110,122	3.7	169,369	4.7	153,755	21,656	3.6
Total	**2,959,324**	**100.0**	**3,604,919**	**100.0**	**4,198,889**	**591,401**	**100.0**

Notes:

(1) Starting in 2023, we collectively reported the revenues generated from advertising and content-commerce solutions as "marketing services revenue" to better present our business and results of operations in line with our overall strategies. For comparison purposes, the breakdown of our revenues for the years ended December 31, 2022 and 2021 have been retrospectively re-classified.

(2) Starting in 2022, we separately reported the revenue of our vocational training business, which was formerly included in "others." For comparison purposes, the revenue of vocational training business and the revenue for others for the year ended December 31, 2021 have been retrospectively re-classified.

Marketing services. We generate revenue from marketing services, which primarily consist of advertising revenue and revenue from content-commerce solutions. We experienced a decline in our marketing services revenue in 2022 and 2023 primarily due to the challenging industry dynamics and our ongoing refinement of service offerings to strategically focus on margin improvement.

Our customers are generally attracted by the expanding user base, high-quality user profiles, and the content generated in our community. They typically select target audience based on user profiles and review performance indices instead of specifying target content category or monitoring other similar metrics. We do not believe that we have concentration in terms of user profiles. The pricing of our advertising is determined based on our internally-set price guidelines that are updated from time to time. The guidelines generally take into consideration factors including, among other things, nature and type of customers, products and services to be marketed, prior relationships, level of comparable demands, and scale of orders, and are implemented based on the marked price for our advertising services.

Paid Membership. We generate substantially all of our paid membership revenue from Yan Selection membership fees. We officially launched our Yan Selection membership program in March 2019, and since then have continued to enhance the volume and quality of our premium content. Our average monthly subscribing members increased significantly from 5.1 million in 2021 to 9.8 million in 2022, and further to 14.5 million in 2023. The increase in average monthly subscribing members, both in absolute terms and as a percentage of average MAUs for the same period, reflects the wider acceptance of the paid membership among our community, demonstrating our content enhancements and refined user experience.

Vocational training. We offer various types of vocational trainings, which cover Postgraduate Entrance Examination, Civil Service Examination, ESG, CFA and CPA examinations, language testing, writing or data analytical skills and AGI, and other vocational training courses to further enhance our monetization channels. Our vocational training courses primarily consist of pre-recorded audio-video courses and live online training courses. Course fees are generally collected in advance and are initially recorded as contract liability. For vocational training business, revenue is recognized proportionately over the relevant period in which the training courses are delivered.

Others. Other revenue is mainly generated from the sales of our private label products and book series, as well as revenue from our e-commerce services. We have been strategically identifying opportunities for expanding our revenue streams. We expect an increase in revenue from the sales of our private label products and book series and we should benefit from continued diversification of our content-centric monetization channels in the foreseeable future.

Cost of Revenues

Our cost of revenues primarily consists of: (i) content and operational costs, (ii) cloud service and bandwidth costs, (iii) staff costs, and (iv) payment processing costs. Content and operational costs primarily include payments for content creators with respect to content included in our premium content library, other content-related costs and other business-related execution costs.

The following table sets forth a breakdown of our cost of revenues by nature both in absolute amount and as a percentage of our revenue for the periods indicated.

	For the Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Cost of revenues							
Content and operational costs	750,554	25.4	906,224	25.1	1,033,878	145,619	24.6
Cloud service and bandwidth costs	328,346	11.1	403,442	11.2	280,045	39,444	6.7
Staff costs	142,699	4.8	206,633	5.7	248,678	35,026	5.9
Payment processing costs	74,285	2.5	136,778	3.8	198,199	27,916	4.7
Others	109,539	3.7	143,790	4.0	142,241	20,033	3.4
Total	**1,405,423**	**47.5**	**1,796,867**	**49.8**	**1,903,041**	**268,038**	**45.3**

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB1.6 billion in 2021 to RMB1.8 billion in 2022, and further to RMB2.3 billion (US$323.4 million) in 2023. Our gross profit margin was 52.5% in 2021, 50.2% in 2022, and 54.7% in 2023.

Operating Expenses

Our operating expenses consist of (i) selling and marketing expenses, (ii) research and development expenses, and (iii) general and administrative expenses.

The following table sets forth a breakdown of our operating expenses both in absolute amount and as a percentage of our revenue for the periods indicated.

	For the Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Operating expenses							
Selling and marketing expenses	1,634,733	55.3	2,026,468	56.2	2,048,090	288,467	48.8
Research and development expenses	619,585	20.9	763,362	21.2	901,452	126,967	21.5
General and administrative expenses	690,292	23.3	621,973	17.2	418,531	58,949	9.9
Total	**2,944,610**	**99.5**	**3,411,803**	**94.6**	**3,368,073**	**474,383**	**80.2**

Selling and Marketing Expenses. Our selling and marketing expenses primarily consist of expenses associated with promotion and advertising and staff costs.

Research and Development Expenses. Our research and development expenses primarily consist of research and development related staff costs and expenses related to new technology and product development and product enhancements.

General and Administrative Expenses. General and administrative expenses primarily consist of staff costs, traveling and general expenses, and professional service fees.

Taxation

Cayman Islands

We are incorporated as an exempted company in the Cayman Islands. The Cayman Islands currently have no income, corporation or capital gains tax.

Hong Kong

Under the two-tiered profits tax rate regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rate regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

In addition, payments of dividends from our subsidiary in Hong Kong to us are not subject to any Hong Kong withholding tax.

PRC

Under the PRC Enterprise Income Tax Law effective from January 1, 2008, our PRC subsidiaries, and consolidated affiliated entities and their subsidiaries are subject to the statutory rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy.

Enterprises that qualify as “high and new technology enterprises” are entitled to a preferential rate of 15% for three years. Enterprises that qualify as “small low-profit enterprises” are entitled to a preferential rate of 20%. Specifically, during the period from January 1, 2023 to December 31, 2027, the portion of annual taxable income amount of a small low-profit enterprise not exceeding RMB1 million is computed at a reduced rate of 25% as taxable income amount, subject to an enterprise income tax rate of 20%. During the period from January 1, 2022 to December 31, 2027, the portion of annual taxable income amount of a small low-profit enterprise exceeding RMB1 million and not exceeding RMB3 million is computed at a reduced rate of 25% as taxable income amount, subject to an enterprise income tax rate of 20%.

Each of Zhizhe Sihai and Beijing Qingzhong Education Technology Co., Ltd., a subsidiary of our company, was certified as a "high and new technology enterprise" under the PRC laws and regulations, and accordingly was eligible for a preferential tax rate of 15% in each of 2021, 2022, and 2023. Some of our subsidiaries were "small low-profit enterprises" under the PRC laws and regulations, and accordingly were eligible for a preferential tax rate of 20% in each of 2021, 2022, and 2023. Our other PRC entities were subject to enterprise income tax at a rate of 25% in 2021, 2022, and 2023. Pursuant to the PRC Enterprise Income Tax Law, a 5% or 10% withholding tax is levied on dividends declared to foreign investors from China effective from January 1, 2008.

We are subject to value added tax, or VAT, at rates of 6% on the products and services we provide to users and customers, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law.

Dividends paid by our wholly foreign-owned subsidiary in China to our intermediary holding company in Hong Kong will be subject to a withholding tax rate of 10%, unless the Hong Kong entity satisfies all the requirements under the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes and receives approval from the tax authority. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and materially and adversely affect our results of operations and the value of your investment."

Results of Operations

The following table sets forth our results of operations with line items in absolute amount and as a percentage of our revenue for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						
	2021		2022		2023		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Revenues	2,959,324	100.0	3,604,919	100.0	4,198,889	591,401	100.0
Cost of revenues	(1,405,423)	(47.5)	(1,796,867)	(49.8)	(1,903,041)	(268,038)	(45.3)
Gross profit	**1,553,901**	**52.5**	**1,808,052**	**50.2**	**2,295,848**	**323,363**	**54.7**
Selling and marketing expenses	(1,634,733)	(55.2)	(2,026,468)	(56.2)	(2,048,090)	(288,467)	(48.8)
Research and development expenses	(619,585)	(20.9)	(763,362)	(21.2)	(901,452)	(126,967)	(21.5)
General and administrative expenses	(690,292)	(23.3)	(621,973)	(17.3)	(418,531)	(58,949)	(9.9)
Total operating expenses	**(2,944,610)**	**(99.5)**	**(3,411,803)**	**(94.6)**	**(3,368,073)**	**(474,383)**	**(80.2)**
Loss from operations	**(1,390,709)**	**(47.0)**	**(1,603,751)**	**(44.5)**	**(1,072,225)**	**(151,020)**	**(25.5)**
Investment income	59,177	2.0	70,380	2.0	41,695	5,873	1.0
Interest income	31,305	1.1	68,104	1.9	158,671	22,348	3.7
Fair value change of financial instruments	27,846	0.9	(176,685)	(4.9)	(5,170)	(728)	(0.1)
Exchange (losses)/gains	(16,665)	(0.6)	71,749	2.0	97	14	0.0
Others, net	(4,391)	(0.1)	5,983	0.2	49,236	6,935	1.2
Loss before income tax	**(1,293,437)**	**(43.7)**	**(1,564,220)**	**(43.4)**	**(827,696)**	**(116,578)**	**(19.7)**
Income tax expense	(5,443)	(0.2)	(14,183)	(0.4)	(11,832)	(1,667)	(0.3)
Net loss	**(1,298,880)**	**(43.9)**	**(1,578,403)**	**(43.8)**	**(839,528)**	**(118,245)**	**(20.0)**

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenues

	For the Year Ended December 31,					
	2022	2023		Change		
	RMB	RMB	US$	RMB	US$	%
	(in thousands, except percentages)					
Revenues						
Marketing services[(1)]	1,956,480	1,652,992	232,819	(303,488)	(42,745)	(15.5)
Paid membership	1,230,804	1,826,557	257,265	595,753	83,910	48.4
Vocational training	248,266	565,585	79,661	317,319	44,693	127.8
Others	169,369	153,755	21,656	(15,614)	(2,199)	(9.2)
Total	**3,604,919**	**4,198,889**	**591,401**	**593,970**	**83,659**	**16.5**

Note:

(1) Starting in 2023, we collectively reported the revenues generated from advertising and content-commerce solutions as "marketing services revenue" to better present our business and results of operations in line with our overall strategies. For comparison purposes, the breakdown of revenues for years ended December 31, 2022 and 2021 had been retrospectively re-classified.

Our revenues increased by 16.5% from RMB3.6 billion in 2022 to RMB4.2 billion (US$591.4 million) in 2023.

Marketing services. Marketing services revenue decreased by 15.5% from RMB2.0 billion in 2022 to RMB1.7 billion (US$232.8 million) in 2023. The decrease was primarily due to the challenging industry dynamics and our ongoing refinement of service offerings to strategically focus on margin improvement.

Paid Membership. Paid membership revenue increased significantly by 48.4% from RMB1.2 billion in 2022 to RMB1.8 billion (US$257.3 million) in 2023, primarily due to the continued growth of our subscribing members, attributable to the improved attractiveness of our premium content library and user experience, as evidenced by the number of our average monthly subscribing members increasing significantly from 9.8 million in 2022 to 14.5 million in 2023.

Vocational training. Vocational training revenue increased from RMB248.3 million in 2022 to RMB565.6 million (US$79.7 million) in 2023, primarily driven by our further enriched online course offerings and the revenue contributions from the acquired vocational training businesses.

Others. Other revenue decreased from RMB169.4 million in 2022 to RMB153.8 million (US$21.7 million) in 2023.

Cost of Revenues

	For the Year Ended December 31,					
	2022	2023		Change		
	RMB	RMB	US$	RMB	US$	%
	(in thousands, except percentages)					
Cost of revenues						
Content and operational costs	906,224	1,033,878	145,619	127,654	17,980	14.1
Cloud services and bandwidth costs	403,442	280,045	39,444	(123,397)	(17,380)	(30.6)
Staff costs	206,633	248,678	35,026	42,045	5,922	20.3
Payment processing costs	136,778	198,199	27,916	61,421	8,651	44.9
Others	143,790	142,241	20,033	(1,549)	(219)	(1.1)
Total	**1,796,867**	**1,903,041**	**268,038**	**106,174**	**14,954**	**5.9**

Our cost of revenues increased by 5.9% from RMB1.8 billion in 2022 to RMB1.9 billion (US$268.0 million) in 2023. The increase was primarily attributable to (i) an increase in content and operational costs of RMB127.7 million as we continued to enhance our content attractiveness and (ii) an increase in payment processing costs of RMB61.4 million driven by our revenue growth, partially offset by the decrease in cloud services and bandwidth costs.

Gross Profit and Gross Profit Margin

	For the Year Ended December 31,					
	2022	2023		Change		
	RMB	RMB	US$	RMB	US$	%
	(in thousands, except percentages)					
Gross profit	1,808,052	2,295,848	323,363	487,796	68,705	27.0

In 2022 and 2023, our gross profit was RMB1.8 billion and RMB2.3 billion (US$323.4 million), respectively, and our gross profit margin was 50.2% and 54.7%, respectively. The increase in gross profit margin was primarily due to our enhanced monetization efforts and the improvement of cloud services and bandwidth utilization efficiency.

Operating Expenses

	For the Year Ended December 31,					
	2022	2023		Change		
	RMB	RMB	US$	RMB	US$	%
	(in thousands, except percentages)					
Operating expenses						
Selling and marketing expenses	2,026,468	2,048,090	288,467	21,622	3,045	1.1
Research and development expenses	763,362	901,452	126,967	138,090	19,450	18.1
General and administrative expenses	621,973	418,531	58,949	(203,442)	(28,654)	(32.7)
Total	**3,411,803**	**3,368,073**	**474,383**	**(43,730)**	**(6,159)**	**(1.3)**

Selling and Marketing Expenses. Our selling and marketing expenses increased by 1.1% from RMB2,026.5 million in 2022 to RMB2,048.1 million (US$288.5 million) in 2023, primarily due to our continued efforts in promoting our product and service offerings.

Research and Development Expenses. Our research and development expenses increased by 18.1% from RMB763.4 million in 2022 to RMB901.5 million (US$127.0 million) in 2023, primarily due to our increased spending on technology innovation, especially on generative AI technology.

General and Administrative Expenses. Our general and administrative expenses decreased by 32.7% from RMB622.0 million in 2022 to RMB418.5 million (US$58.9 million) in 2023, primarily due to lower share-based compensation expenses recognized.

Loss from Operations

As a result of the foregoing, we had a loss from operations of RMB1.1 billion (US$151.0 million) in 2023, in comparison with a loss from operations of RMB1.6 billion in 2022.

Investment Income

Our investment income decreased from RMB70.4 million in 2022 to RMB41.7 million (US$5.9 million) in 2023, primarily due to a decrease in short-term investment that we held for cash management purposes during 2023.

Interest Income

Our interest income increased from RMB68.1 million in 2022 to RMB158.7 million (US$22.3 million) in 2023, primarily due to an increase in the yield on term deposits.

Fair Value Change of Financial Instruments

We recorded a loss of RMB5.2 million (US$0.7 million) from fair value change of financial instruments in 2023, which mainly reflected the fair value change of contingent consideration payables for our acquisitions in 2023. We recorded a loss of RMB176.7 million from fair value change of financial instruments in 2022, which mainly reflected the fair value change of financial instruments related to currency exchange options and forward contracts due to the appreciation of U.S. dollars against Renminbi in the second quarter of 2022.

Exchange Gains

We had exchange gains of RMB97 thousand (US$14 thousand) in 2023, in comparison with exchange gains of RMB71.7 million in 2022, as a result of fluctuations of the exchange rates of Renminbi against U.S. dollars.

Others, Net

We had net other gains of RMB49.2 million (US$6.9 million) in 2023, in comparison with net other gains of RMB6.0 million in 2022, primarily due to an increase in non-operating income.

Loss Before Income Tax

Primarily as a result of the foregoing, our loss before income tax in 2023 was RMB827.7 million (US$116.6 million), decreased by 47.1% from RMB1.6 billion in 2022.

Income Tax Expenses

Our income tax expense decreased from RMB14.2 million in 2022 to RMB11.8 million (US$1.7 million) in 2023.

Net Loss

As a result of the foregoing, our net loss decreased by 46.8% from RMB1.6 billion in 2022 to RMB839.5 million (US$118.2 million) in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

For a detailed description of the comparison of our operating results for the year ended December 31, 2022 to the year ended December 31, 2021, see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Results of Operations—Year Ended December 31, 2022 Compared to Year Ended December 31, 2021" of our annual report on Form 20-F filed with the Securities and Exchange Commission on April 28, 2023.

B. Liquidity and Capital Resources

To date, we have financed our operations primarily through cash generated by historical equity financing. We had cash and cash equivalents, term deposits, and short-term investments of RMB7.4 billion, RMB6.3 billion, and RMB5.5 billion (US$769.4 million) as of December 31, 2021, 2022, and 2023, respectively.

We may decide to enhance our liquidity position or increase our cash reserve for future operations and investments through additional financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increasing fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

As of December 31, 2023, 83.9% of our cash and cash equivalents were held in China, of which 96.4% was held in Renminbi. As of December 31, 2023, 17.0% of our cash and cash equivalents were held by the VIE and its subsidiaries.

Substantially all of our revenues have been denominated in Renminbi, and we expect them to likely continue in the same manner. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior the approval of the State Administration of Foreign Exchange as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

Although we consolidate the results of the variable interest entities and their subsidiaries, we only have access to the assets or earnings of the variable interest entities and their subsidiaries through contractual arrangements.

We believe that, taking into account the cash and cash equivalents on hand and the financial resources available to us, including internally generated funds, we have sufficient working capital for our present requirement, which is, for at least the next 12 months from the date of this annual report.

Our short-term investments mainly include investments in financial instruments with a variable interest rate indexed to performance of underlying assets for cash management purposes. From the cash management and risk control perspective, we diversify our investment portfolios and mainly purchase low risk products from reputable banks in China and overseas and prefer those products with high liquidity. We prudently manage our short-term investments portfolio and their respective term to ensure that we have short-term investments readily convertible into cash from time to time in the event that there is a need for liquidity.

Our trade receivables primarily consist of outstanding amounts payable by third parties. Our trade receivables increased from RMB831.6 million as of December 31, 2021 to RMB834.3 million as of December 31, 2022, and decreased to RMB664.6 million (US93.6 million) as of December 31, 2023. We applied ASC Topic 326 to measure current expected credit losses for all trade receivables. We recorded provision of allowance for expected credit losses of trade receivables of RMB58.6 million, RMB92.9 million and RMB122.7 million (US$17.3 million) as of December 31, 2021, 2022, and 2023, respectively.

Accounts payable and accrued liabilities represent (i) accrued sales rebates, (ii) operational costs payables and accruals, and (iii) marketing expenses payables and accruals. Accounts payable and accrued liabilities slightly decreased from RMB1,026.5 million as of December 31, 2021 to RMB916.1 million as of December 31, 2022, and increased to RMB1.0 billion (US$146.3 million) as of December 31, 2023 primarily due to an increase in operational costs payables and accruals.

Cash Flows

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

	For the Year Ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash used in operating activities	(440,234)	(1,114,954)	(415,527)	(58,525)
Net cash (used in)/provided by investing activities	(3,136,503)	3,490,467	(1,681,140)	(236,784)
Net cash provided by/(used in) financing activities	4,876,247	(108,350)	(365,056)	(51,417)
Effect of exchange rate changes on cash and cash equivalents	(100,169)	101,528	42,510	5,987
Net increase/(decrease) in cash and cash equivalents	1,199,341	2,368,691	(2,419,213)	(340,739)
Cash and cash equivalents at the beginning of the year	957,820	2,157,161	4,525,852	637,453
Cash and cash equivalents at the end of the year	2,157,161	4,525,852	2,106,639	296,714

Operating Activities

For the year ended December 31, 2023, net cash used in operating activities was RMB415.5 million (US$58.5 million), as compared to our net loss of RMB839.5 million (US$118.2 million) for the same period. Net loss can be reconciled to net cash used in operating activities mainly by deducting an accrued investment income of short-term investments of RMB37.5 million, adding back a fair value change of financial instrument of RMB5.2 million and other non-cash items of RMB219.9 million, which primarily comprised share-based compensation expenses of RMB164.7 million, and provision of allowance for expected credit losses of RMB29.9 million, and further adding another RMB240.3 million released from working capital. The cash released from working capital was primarily the result of (i) an increase of RMB220.2 million in accounts payable and accrued liabilities, (ii) a decrease of RMB64.4 million in trade receivables, (iii) a decrease of RMB59.9 million in right-of-use assets, and (iv) an increase of RMB56.9 million in salary and welfare payables to our employees, partially offset by (y) a decrease of RMB87.1 million in contract liabilities and (z) a decrease of RMB50.8 million in lease liabilities.

For the year ended December 31, 2022, net cash used in operating activities was RMB1.1 billion, as compared to our net loss of RMB1.6 billion for the same period. Net loss can be reconciled to net cash used in operating activities mainly by deducting an accrued investment income of short-term investments of RMB31.5 million, adding back a fair value change of financial instrument of RMB176.7 million and other non-cash items of RMB454.5 million, which primarily comprised share-based compensation expenses of RMB373.9 million, provision of allowance for expected credit losses of RMB34.5 million, and an impairment of long-term investments of RMB20.9 million, and further deducting another RMB133.8 million used for working capital. The cash used for working capital was primarily the result of (i) an increase of RMB132.8 million in trade receivables, (ii) a decrease of RMB65.3 million in net amount due to related parties, (iii) a decrease of RMB40.8 million in taxes payable, and (iv) a decrease of RMB36.5 million in salary and welfare payables to our employees, partially offset by (y) a decrease of RMB87.1 million in prepayments and other current assets and (z) an increase of RMB78.2 million in contract liabilities, reflecting the increasing scale of our paid membership service and vocational training business.

For the year ended December 31, 2021, net cash used in operating activities was RMB440.2 million, as compared to our net loss of RMB1.3 billion for the same period. Net loss can be reconciled to net cash used in operating activities mainly by deducting a fair value change of financial instrument of RMB27.8 million, an accrued investment income of short-term investments of RMB6.4 million and a deferred income tax of RMB1.1 million, adding back other non-cash items of RMB602.5 million, which primarily comprised share-based compensation expenses of RMB548.5 million and provision of allowance for expected credit losses of RMB32.6 million, and adding another RMB291.4 million released from working capital. The cash released from working capital was primarily the result of (i) an increase of RMB524.2 million in accounts payable and accrued liabilities, (ii) an increase of RMB119.8 million in lease liabilities, and (iii) an increase of RMB81.4 million in salary and welfare payables to our employees, partially offset by an increase of RMB374.7 million in trade receivables.

Investing Activities

For the year ended December 31, 2023, net cash used in investing activities was RMB1.7 billion (US$236.8 million), which was primarily attributable to (i) purchase of short-term investments of RMB7.5 billion and (ii) purchase of term deposits of RMB2.7 billion, partially offset by (y) proceeds of maturities of short-term investments of RMB6.6 billion and (z) proceeds from withdrawal of term deposits of RMB2.0 billion.

For the year ended December 31, 2022, net cash provided by investing activities was RMB3.5 billion, which was primarily attributable to (i) proceeds of maturities of short-term investments of RMB12.0 billion and (ii) proceeds from disposal of term deposits of RMB5.8 billion, partially offset by (y) purchase of short-term investments of RMB10.5 billion and (z) purchase of term deposits of RMB3.6 billion.

For the year ended December 31, 2021, net cash used in investing activities was RMB3,136.5 million, which was primarily attributable to (i) purchase of short-term investments of RMB6.4 billion and (ii) purchase of term deposits of RMB4.9 billion, partially offset by (y) proceeds of maturities of short-term investments of RMB5.2 billion and (z) proceeds from disposal of term deposits of RMB3.0 billion.

Financing Activities

For the year ended December 31, 2023, net cash used in financing activities was RMB365.1 million (US$51.4 million), which was primarily attributable to payment for repurchase of shares.

For the year ended December 31, 2022, net cash used in financing activities was RMB108.4 million, which was primarily attributable to payment for repurchase of shares.

For the year ended December 31, 2021, net cash provided by financing activities was RMB4,876.2 million, which was primarily attributable to net proceeds from issuance of Class A ordinary shares upon the completion of our initial public offering.

Material Cash Requirements

Other than the ordinary cash requirements for our operations, our material cash requirements as of December 31, 2023 and any subsequent interim period primarily include our capital expenditures and operating lease obligations, as well as cash requirements for potential investments. We intend to fund our existing and future material cash requirements with our existing cash balance and other financing alternatives. We will continue to make cash commitments, including capital expenditures, to support the growth of our business.

Capital Expenditures

Our capital expenditures are primarily incurred for purchases of property and equipment. Our total capital expenditures were RMB7.4 million in 2021, RMB0.7 million in 2022, and RMB8.9 million (US$1.2 million) in 2023. We intend to fund our future capital expenditures with our existing cash balance. We will continue to make capital expenditures to meet the expected growth of our business.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2023:

	Total		Less than 1 year		1–3 years		3–5 years		More than 5 years	
	(RMB)	(US$)	(RMB)	(US$)	(RMB)	(US$)	(RMB)	(US$)	(RMB)	(US$)
					(in millions)					
Operating lease commitments	46.7	6.6	43.0	6.1	3.7	0.5	—	—	—	—

Our operating lease obligations primarily represent the commitments under the lease agreements for our office premises. We lease our office facilities under non-cancelable operating leases with various expiration dates. The majority of our operating lease commitments are related to our office lease agreements in China.

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have retained or contingent interests in assets transferred. We have not entered into contractual arrangements that support the credit, liquidity or market risk for transferred assets. We do not have obligations that arise or could arise from variable interests held in an unconsolidated entity, or obligations related to derivative instruments that are both indexed to and classified in our own equity, or not reflected in the statement of financial position.

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2023.

Holding Company Structure

Zhihu Inc. is a holding company with no material operations of its own. We conduct our operations through our PRC subsidiaries and the VIEs in China. As a result, our ability to pay dividends depends significantly upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their accumulated after-tax profits, if any, as determined in accordance with PRC accounting standards and regulations. Under the PRC law, each of our PRC subsidiaries and the VIEs in China is required to set aside at least 10% of its after-tax profits each year, if any, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our wholly foreign-owned subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and the VIE may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

C. Research and Development, Patents and Licenses, etc.

See "Item 4. Information on the Company—B. Business Overview—Technological Infrastructure" And "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2024 to the date of this annual report that are reasonably likely to have a material adverse effect on our total revenues, profitability, liquidity, or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

Our consolidated financial statements have been prepared in accordance with U.S. GAAP and pursuant to the regulations of the SEC. The preparation of the consolidated financial statements requires management to make assumptions, judgments and estimates that can have a significant impact on the reported amounts of assets, liabilities, revenue and expenses. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. Actual results could differ significantly from these estimates. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. On a regular basis, we evaluate our assumptions, judgments and estimates and make changes accordingly. We also discuss our critical accounting estimates with the Audit Committee of the Board of Directors. Note 2 to our audited consolidated financial statements included elsewhere in this annual report describes the significant accounting policies used in the preparation of the consolidated financial statements.

We have listed below our critical accounting estimates which require management to make difficult, subjective and complex judgements often as a result of the need to make estimate on matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or assumptions. Actual results could differ from those estimates.

Allowance for Expected Credit Losses on Trade Receivables

The allowance for expected credit losses represents our estimate of the expected lifetime expected credit losses inherent on trade receivables as of the balance sheet date. The adequacy of our allowance for expected credit losses is assessed quarterly, and the assumptions and models used in establishing the allowance are evaluated regularly. Because expected credit losses can vary substantially over time, estimating expected credit losses requires a number of assumptions about matters that are uncertain. Changes in assumptions affect *general and administrative expenses* on our consolidated statements of operations and comprehensive loss and the allowance for expected credit losses contained within *trade receivables* on our consolidated balance sheets. See Note 2 to our audited consolidated financial statements included elsewhere in this annual report for more information regarding expected credit losses.

Nature of Estimates Required. We estimate the allowance for expected credit losses on receivables that share similar risk characteristics based on a collective assessment using measurement models. The models vary by portfolio groups and consider factors such as historical trends in credit losses, external credit evaluations, and forward-looking macroeconomic conditions.

Assumptions Used. The key assumptions used in the process of estimating the allowance for expected credit losses include:

Portfolio groups: In evaluating financial assets on a collective basis, we aggregate financial assets on the basis of similar risk characteristics, which include a combination of size, type of the services or the products we provide.

Historical default rate: The percentage of non-payment or default on receivables over an extended time period. In determining historical loss rate, we consider historical collectability based on past due status, the age of the trade receivables balances, credit quality of customers based on ongoing credit evaluations; and

Forward-looking information incorporated in the expected credit losses models: The impact of economic indicators on loss rate varies to different. We comprehensively consider internal and external data, future forecasts and statistical analysis to determine the relationship between economic indicators with loss rate. We evaluate and forecast economic indicators at least annually at balance sheet date, and regularly evaluates the results based on changes in macroeconomics.

Sensitivity Analysis. When one of our estimates of historical default rate and forward-looking information decreased/increased by 1% while holding all other estimates constant, there would be no significant impact to our consolidated financial statements.

Purchase price allocation for business combination

We account for business combinations using the acquisition method of accounting, which requires that once control is obtained, the purchase price be allocated to all tangible assets and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. Any excess purchase price over the fair value of the net assets acquired is recorded as goodwill. The determination of the fair value of assets acquired and liabilities assumed requires estimates and assumptions with respect to the revenue growth rates, perpetual growth rate, discount rates and useful lives which to base the cash flow projections. 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.

The following are key assumptions we use in making cash flow projections.

Revenue growth rate. We make assumptions about the demand for the acquired business in the marketplace. These projections are derived using our internal business plan forecasts that are updated at least annually. The higher the revenue growth rate, the higher the fair value of assets acquired and liabilities assumed.

Discount rate. When measuring the fair value of assets acquired and liabilities assumed, future cash flows are discounted at a rate that is consistent with a weighted-average cost of capital that we anticipate a potential market participant would use. Weighted-average cost of capital is an estimate of the overall risk-adjusted pre-tax rate of return expected by equity and debt holders of a business enterprise. The higher the discount rate, the lower the fair value of assets acquired and liabilities assumed.

Goodwill Impairment Assessments

We conduct an impairment test as of December 31 annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill might be impaired. Our goodwill was attributable to our company as a whole. A quantitative assessment is performed if we determine it is more likely than not that the carrying value of the net assets is more than the fair value of the reporting unit after the qualitative assessment. Fair value is estimated by us using the income approach. Key assumptions utilized in estimating the fair value of the reporting unit include revenue growth rates, gross margin, operating expenses and discount rate. Changes in these assumptions could materially affect the determination of the fair value for reporting unit.

Revenue growth rate and profit margin. We make assumptions about the demand for our products in the marketplace. These projections are derived using our internal business plan forecasts that are updated at least annually. The internal business plan forecasts are developed considering the market data, selling plan and industry research.

Discount rate. When measuring the fair value of reporting unit, future cash flows are discounted at a rate that is consistent with a weighted-average cost of capital that we anticipate a potential market participant would use. Weighted-average cost of capital is an estimate of the overall risk-adjusted pre-tax rate of return expected by equity and debt holders of a business enterprise.

Sensitivity Analysis. The estimate of fair value of the reporting units are sensitive to our assumptions in these factors. When one of our estimates of revenue growth rates and discount rate decreased or increased by 1% while holding all other estimates constant, there would be no significant impact to our consolidated financial statements.

For the year ended December 31, 2023, due to the changing market conditions and fluctuations in our share price, we performed both qualitative and quantitative analysis as of June 30, 2023 and December 31, 2023. A third-party valuation firm was engaged to help us determine the fair value of the reporting unit by applying income approach. We concluded that there was no impairment of goodwill as of June 30, 2023 and December 31, 2023.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Yuan Zhou	43	Founder, Chairman, and Chief Executive Officer
Dahai Li	43	Director and Chief Technology Officer
Han Wang	33	Chief Financial Officer
Zhaohui Li	48	Director
Bing Yu	44	Director
Hanhui Sam Sun	51	Independent Director
Hope Ni	51	Independent Director
Derek Chen	48	Independent Director

Yuan Zhou is our founder and has served as the chairman of our board of directors and chief executive officer since our inception. Mr. Zhou is an entrepreneur with over 15 years of experience in internet and media. Since January 2024, Mr. Zhou has served as a director of Beijing ModelBest Intelligent Technology Co., Ltd., a portfolio investee of ours. Prior to founding our company, Mr. Zhou founded Beijing Nuobote Informational Technology Co., Ltd., a start-up company that focused on the development of big data analytics for e-commerce businesses from October 2008 to November 2010. Before that, Mr. Zhou worked as a journalist for the IT Management World magazine from June 2006 to December 2007. Mr. Zhou received a bachelor's degree in computer science and technology from Chengdu University of Technology in China in June 2003 and a master's degree in software engineering from Southeast University in China in March 2006.

Dahai Li has served as our chief technology officer since May 2018 and as our director since March 2021. Mr. Li served as our senior vice president from December 2015 to April 2018. Mr. Li has served as a director of Beijing ModelBest Intelligent Technology Co., Ltd. and as its chief executive officer since June 2023. Prior to joining us, Mr. Li served as the head of search technology at Wandoujia, a leading app store in China, from August 2013 to December 2015. Prior to that, Mr. Li served as the engineering director at YunYun, a start-up search engine company in China, from August 2010 to August 2013. From June 2007 to September 2010, Mr. Li served as an engineer at Google China, focusing on search engine. Mr. Li received a bachelor's degree in mathematics and applied mathematics from Beijing University of Chemical Technology in China in July 2003 and a master's degree in mathematics from Peking University in July 2006.

Han Wang has served as our chief financial officer since February 2024. Prior to joining Zhihu, from 2020 to 2023, Mr. Wang was with Access Technology Ventures, a global investment platform under Access Industries, Inc., the private holding company and investment firm founded by businessman and philanthropist Len Blavatnik. Prior to that, he held senior positions at leading investment firms, including at Hillhouse Capital as a Vice President between 2018 and 2020, and at Legend Capital as a Director from 2015 to 2018. Mr. Wang received a bachelor's degree in communication engineering from Beijing University of Posts and Telecommunications in China in 2012.

Zhaohui Li has served as our director since September 2015 and, for purposes of the Hong Kong Listing Rules, a non-executive director. Mr. Li joined Tencent in 2011 and has worked there as the vice president and head of mergers and acquisitions department, and as the managing partner of Tencent Investment. Before joining Tencent, Mr. Li served as an investment principal at Bertelsmann Asia Investment from September 2008 to May 2010. Prior to that, Mr. Li held various positions related to product and business in Google and Nokia. Mr. Li also holds directorships at various other public companies. Mr. Li has been a director of Kuaishou Technology (HKEX: 1024) since March 2017 and KE Holdings Inc. (NYSE: BEKE, HKEX: 2423) since December 2018. Mr. Li received a bachelor's degree in economics from Peking University in July 1998 and an MBA degree from Duke University Fuqua School of Business in May 2004.

Bing Yu has served as our director since March 2023 and, for purposes of the Hong Kong Listing Rules, a non-executive director. Mr. Yu joined Kuaishou Technology (HKEX: 1024) in August 2016 and currently serves as a senior vice president, primarily responsible for technology development, product testing, operation maintenance, and ToB business relating to StreamLake of the Kuaishou group. Before joining the Kuaishou group, Mr. Yu led video and infrastructure teams in multinational companies such as Hulu, LLC from September 2014 to August 2016 and FreeWheel Media Inc. from July 2010 to April 2013. Mr. Yu received his bachelor's degree in engineering mechanics from Tsinghua University in Beijing, China in June 2002 and a master's degree in software engineering from Tsinghua University in June 2006.

Hanhui Sam Sun has served as our independent director since March 2021 and, for purposes of the Hong Kong Listing Rules, an independent non-executive director. Mr. Sun has served as an independent director and chairman of the audit committee of iQIYI Inc. (Nasdaq: IQ) since March 2018, an independent director and chairman of the audit committee of Yiren Digital Ltd. (NYSE: YRD) since December 2015, and an independent non-executive director of YSB Inc. (HK: 9885) since June 2023. From January 2010 to September 2015, Mr. Sun assumed various positions at Qunar Cayman Islands Limited, a mobile and online travel platform then listed on Nasdaq (former Nasdaq ticker: QUNR), including serving as Qunar's president from May 2015 to September 2015 and its chief financial officer from January 2010 to April 2015. Prior to joining Qunar, Mr. Sun was the chief financial officer of KongZhong Corporation, an online game developer and operator then listed on Nasdaq (former Nasdaq ticker: KZ), from February 2007 to February 2009. Mr. Sun was also an independent director and audit committee member of KongZhong Corporation from July 2005 through January 2007. Prior to that, Mr. Sun successively worked in KPMG, Microsoft China R&D Group, Maersk China Co. Ltd. and SouFun.com. Mr. Sun received a bachelor's degree in business administration from Beijing Institute of Technology in July 1993. He was qualified as a Certified Public Accountant in China in April 1998.

Hope Ni has served as our independent director since March 2021 and, for purposes of the Hong Kong Listing Rules, an independent non-executive director. Ms. Ni has served as an independent non-executive director of Acotec Scientific Holdings Limited (HKEX: 6669) since August 2021. Ms. Ni currently serves as an independent director of Digital China Holdings Limited (HKEX: 0861), UCLOUDLINK GROUP INC. (Nasdaq: UCL), and ATA Creativity Global (Nasdaq: AACG). From June 2020 to June 2022, she served as a non-executive director of Ingdan, Inc. (HKEX: 0400), previously known as Cogobuy Group, and prior to that, she served as an executive director of Ingdan, Inc. from 2015 to 2020. From 2004 to 2007, Ms. Ni was the chief financial officer and a director of Viewtran Group, Inc. In 2008, Ms. Ni served as the vice chairman of Viewtran Group, Inc. Prior to that, Ms. Ni spent six years as a practicing attorney at Skadden, Arps, Slate, Meagher & Flom LLP in New York and Hong Kong. Earlier in her career, Ms. Ni worked at Merrill Lynch's investment banking division in New York. Ms. Ni received a J.D. degree from University of Pennsylvania Law School in 1998 and a bachelor's degree in applied economics and business management from Cornell University in 1994.

Derek Chen has served as our independent director since April 2022 and, for purposes of the Hong Kong Listing Rules, an independent non-executive director. Mr. Chen was a partner of TPG Capital (Beijing) Limited from September 2013 to 2019 and was responsible for Growth Equity investments in China. Prior to joining TPG Capital (Beijing) Limited, Mr. Chen worked at SAIF (Beijing) Advisors Ltd. from March 2004 with a focus on private equity and capital market investments, and he was a principal of the firm when he left in September 2009. He was a non-executive director of VCREDIT Holdings Limited (HKEX: 2003) from March 2018 to October 2019, and has been re-appointed as an independent non-executive director since December 2021. Mr. Chen accumulated extensive corporate governance knowledge and experience through his senior management roles and directorships described above. Mr. Chen received a master's degree in business administration from Columbia Business School in 2001.

B. Compensation

For the fiscal year ended December 31, 2023, we paid an aggregate of RMB9.3 million (US$1.3 million) in cash to our directors and executive officers. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon three-month advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with a three-month advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our customers or prospective customers, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs, and trade secrets which they conceive, develop, or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs, and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

2022 Share Incentive Plan

In connection with our dual primary listing on the Hong Kong Stock Exchange, our board of directors adopted a share incentive plan in March 2022, which we refer to as the 2022 Plan, to promote the success and enhance the value of our company by linking the personal interests of the directors, employees, and consultants to our shareholders, which became effective upon the our listing on the Hong Kong Stock Exchange. The maximum aggregate number of Class A ordinary shares which may be issued pursuant to all awards under the plan is be the sum of (i) a maximum of 13,042,731 Class A ordinary shares which may be issued pursuant to awards in the form of options, and (ii) the sum of (A) 26,085,463 Class A ordinary shares and (B) 3,554,866 Class A ordinary shares equivalent to the unused portion of the number of shares of our 2012 Share Incentive Plan at its expiration, which may be issued pursuant to awards in the form of restricted share units. Unless approved by the shareholders in general meeting, the total number of Class A ordinary shares issued and to be issued upon the exercise of options granted and to be granted under the 2022 Plan and any other plan of ours to an eligible participant within any 12-month period shall not exceed 1% of the Class A Ordinary Shares issued and outstanding at the date of any grant. As of March 31, 2024, awards to purchase 15,555,054 Class A ordinary shares under the 2022 Plan have been granted and remain outstanding, excluding awards that were forfeited or canceled after the grant dates. Pursuant to the terms of the 2022 Plan, any shares distributed pursuant to an award may consist, in whole or in part, of authorized and unissued shares, or shares purchased on the open market.

The following paragraphs describe the principal terms of the 2022 Plan.

Types of Awards. The 2022 Plan permits the awards of options and restricted shares.

Plan Administration. The 2022 Plan may be administered by our board of directors, a committee of one or more members of the board of directors, or any director appointed to be the administrator. The administrator determines, among other things, the fair market value of ordinary shares, the employees and consultants eligible to receive awards, the number of options or restricted shares to be granted to each eligible employee, and the terms and conditions of each option grant.

Award Agreement. Awards granted under the 2022 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which is subject to any modification as determined by the administrator.

Eligibility. We may grant awards to directors, employees and consultants.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the award agreement.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the award agreement shall not be lower than the fair market value of the Shares on the date of grant, which shall be the higher of: (i) the closing sales price for such shares or securities as quoted on the principal exchange or system on which our shares or securities are listed (as determined by the board or the committee delegated with the authority to administer the plan) on the date of grant, and (ii) average closing sales price as quoted on the principal exchange or system on which our shares or securities are listed for the five business days immediately preceding the date of grant.

Transfer Restrictions. Awards may not be transferred in any manner by the eligible employee other than in accordance with the exceptions provided in the 2022 Plan, such as by will or by the laws of descent or distribution.

Termination and Amendment of the 2022 Plan. Unless terminated earlier, the 2022 Plan has a term of ten years. The board of directors has the authority to terminate, amend, add to, or delete any of the provisions of the plan, subject to the restrictions set out in our memorandum and articles or associations. However, no termination, amendment or modification of the 2022 Plan may adversely affect in any material way any award previously granted pursuant to the 2022 Plan.

For the year ended December 31, 2023, we did not grant any share incentive awards to our directors and executive officers under the 2022 Plan.

As of March 31, 2024, employees other than our directors and executive officers as a group hold 13,055,054 restricted shares units outstanding under the 2022 Plan.

C. Board Practices

Board of Directors

Our board of directors currently consists of seven directors. A director is not required to hold any shares in our company by way of qualification. Subject to the New York Stock Exchange rules and the Hong Kong Listing Rules, and disqualification by the chairman of the board meeting, a director may vote with respect to any contract, proposed contract, or arrangement in which he is materially interested, provided that (i) such director, if his or her interest in such contract or arrangement is material, has declared the nature of his or her interest at the earliest meeting of the board at which it is practicable for him or her to do so, either specifically or by way of a general notice and (ii) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. The directors may exercise all the powers of the company to borrow money, mortgage or charge its undertaking, property, and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any debt, liability, or obligation of the company or of any third party. None of our directors has a service contract with us that provides for benefits upon termination of service as a director.

Committees of the Board of Directors

We have established four committees under the board of directors: an audit committee, a compensation committee, a nomination committee, and a corporate governance committee. We have adopted a charter for each of the four committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Hanhui Sam Sun, Hope Ni, and Derek Chen. Hanhui Sam Sun is the chairman of our audit committee. We have determined that Hanhui Sam Sun, Hope Ni, and Derek Chen each satisfies the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and meet the independence standards under Rule 10A-3 under the Exchange Act, as amended. We have determined that Hanhui Sam Sun qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors;
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance; and

- assuming other duties and responsibilities as required under the Corporate Governance Rules of the New York Stock Exchange and the Hong Kong Listing Rules.

Compensation Committee. Our compensation committee consists of Hanhui Sam Sun, Hope Ni, and Yuan Zhou. Hanhui Sam Sun is the chairman of our compensation committee. We have determined that Hanhui Sam Sun and Hope Ni satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements;
- selecting a compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management; and
- assuming other duties and responsibilities as required under the Corporate Governance Rules of the New York Stock Exchange and the Hong Kong Listing Rules.

Nomination Committee. Our nomination committee consists of Yuan Zhou, Hope Ni, Hanhui Sam Sun, and Derek Chen. Hope Ni is the chairman of our nomination committee. We have determined that Hope Ni, Hanhui Sam Sun, and Derek Chen satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The nomination committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nomination committee is responsible for, among other things:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and making recommendations on any proposed changes to the board to complement our corporate strategy;
- identifying individuals suitably qualified to become directors and selecting or making recommendations to the board on the selection of individuals nominated for directorships;
- assessing the independence of independent directors and making recommendations to the board as to determination of independence of independent directors; and
- making recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

Corporate Governance Committee. Our corporate governance committee consists of Hanhui Sam Sun, Hope Ni, and Derek Chen. Derek Chen is the chairman of our corporate governance committee. We have determined that Hope Ni, Hanhui Sam Sun, and Derek Chen satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The primary duties of the corporate governance committee are, among other things, to ensure that we are operated and managed for the benefit of all shareholders, to oversee the environmental, social, and governance ("ESG") matters relevant to us, to oversee our cybersecurity risk management and disclosure related to cybersecurity matters, and to ensure our compliance with the Hong Kong Listing Rules and safeguards relating to the weighted voting right structures of us. In accordance with Rule 8A.30 of the Hong Kong Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, the work of our corporate governance committee as set out in its terms of reference includes, among others:

- developing and reviewing our policies and practices on corporate governance to assure that they are appropriate for us and comply with the requirements of the Hong Kong Stock Exchange, and recommending any desirable changes to the board;
- reviewing and monitoring the training and continuous professional development of directors and senior management;

- reviewing and monitoring our policies and practices on compliance with legal and regulatory requirements;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, such as our compliance with Appendix 14 to the Hong Kong Listing Rules, and making recommendations to the board on all matters of corporate governance and on any corrective action to be taken;
- guiding and reviewing the formulation of our ESG vision, strategies and plans, reporting and making recommendations to the board accordingly, assisting the board in identifying and evaluating our ESG-related risks and opportunities;
- reviewing and monitoring whether we are operated and managed for the benefit of all our shareholders; and
- reviewing and monitoring all risks related to our weighted voting rights structure and the management of conflicts of interests, make a recommendation to the board on any matter where there is any risk or a potential conflict of interest between Zhihu and any beneficiary of weighted voting rights, and confirm, on an annual basis, that the beneficiaries of weighted voting rights have complied with certain Hong Kong Listing Rules.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our directors may be elected by an ordinary resolution of our shareholders. Each Class A ordinary share and each Class B ordinary share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution approving the appointment, election or removal of any Independent Non-executive Director (as defined in our eleventh amended and restated memorandum and articles of association). Alternatively, our board of directors may, by the affirmative vote of a simple majority of the directors present and voting at a board meeting appoint any person as a director to fill a casual vacancy on our board or as an addition to the existing board. Any director so appointed shall hold office only until the first annual general meeting of the Company after his or her appointment and shall then be eligible for re-election at that meeting. Our directors are not automatically subject to a term of office and hold office until such time as they are removed from office by an ordinary resolution of our shareholders. At every annual general meeting of the Company, the Independent Non-Executive Directors for the time being shall retire from office by rotation provided that every Independent Non-Executive Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Independent Non-Executive Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. In addition, a director will cease to be a director if he

(i) becomes bankrupt or makes any arrangement or composition with his creditors;

(ii) dies or is found to be or becomes of unsound mind;

(iii) resigns his office by notice in writing;

(iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or

(v) is removed from office pursuant to any other provision of our articles of association.

Our officers are appointed by and serve at the discretion of the board of directors, and may be removed by our board of directors.

D. Employees

As of December 31, 2021, 2022 and 2023, we had 2,649, 2,515 and 2,731 full-time employees, respectively, all of whom were based in China, primarily at our headquarters in Beijing, China.

The following table sets forth the number of our employees by function as of December 31, 2023.

Function	Number of Employees	Percentage
Content and Content-Related Operations	889	32.6 %
Research and Development	1,003	36.7 %
Sales and Marketing	604	22.1 %
General Administration	235	8.6 %
Total	**2,731**	**100 %**

Our success depends on our ability to attract, retain, and motivate qualified personnel. We offer employees competitive salaries, performance-based cash bonuses, regular awards, and long-term incentives. We consider that we maintain a generally good working relationship with our employees, and we did not experience any material labor disputes or work stoppages or any difficulty in recruiting staff for our operations during 2021, 2022, and 2023. However, as our operations may further expand, we cannot assure you that we will always be able to maintain good relations with all of our employees.

We primarily recruit our employees through on-campus job fairs, industry referrals, online channels, and recruitment agencies. In addition to on-the-job training, we have adopted a training system, pursuant to which management, technology, regulatory, and other trainings are regularly provided to our employees by internally sourced speakers or externally hired consultants. To efficiently manage our human resources, we have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence, and corruption. In addition, we have in place an anti-bribery and anti-corruption policy to safeguard against any corruption within our company. The policy explains potential bribery and corruption conducts and our anti-bribery and anti-corruption measures. Improper payments prohibited by the policy include bribes, kickbacks, excessive gifts or facilitation payment, or any other payment made or offered to obtain an undue business advantage. We keep accurate books and records that reflect the substance of transactions and asset dispositions in reasonable detail. We specifically require that the employees submit all reimbursement requests related to entertainment related fee or gifts presented to third parties on behalf of the company in accordance with our expense expenditure policy, and specifically record the reason for the expenditure. We also have regular trainings for employees regarding anti-bribery and anti-corruption policies to facilitate better implementation.

As required by PRC laws and regulations in respect of our PRC employment, we participate in housing fund and various employee social insurance plans that are organized by applicable competent authorities, including housing, pension, medical, work-related injury, maternity, and unemployment insurance, under which we make contributions at specified percentages of the salaries of our employees. We also purchase certain supplemental health and accidental insurance coverage for our employees. Bonuses are generally discretionary and based in part on the overall performance of our business and in part on employee individual performance. We have adopted share incentive plans to grant share-based incentive awards to our eligible employees to incentivize their contributions to our growth and development.

We enter into standard confidentiality and employment agreements with our employees. The contracts with our key personnel typically include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and typically for one year after the termination of his or her employment, provided that we pay a certain amount of compensation during the restriction period.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2024 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

The calculations in the shareholder table below are based on 280,145,000 Class A ordinary shares (excluding the 1,903,629 Class A ordinary shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plan) and 17,674,043 Class B ordinary shares issued and outstanding as of March 31, 2024.

	Class A Ordinary Shares	Class B Ordinary Shares	% of Beneficial Ownership†	% of Aggregate Voting Power††
Directors and Executive Officers:**				
Yuan Zhou(1)	19,180,535	17,674,043	12.4	42.9
Dahai Li(2)	2,878,690	—	1.0	0.6
Han Wang	—	—	—	—
Zhaohui Li	—	—	—	—
Bing Yu	—	—	—	—
Hanhui Sam Sun	*	—	*	*
Hope Ni	*	—	*	*
Derek Chen	*	—	*	*
All Directors and Executive Officers as a Group	22,059,225	17,674,043	13.3	43.5
Principal Shareholders:				
MO Holding Ltd(1)	19,180,535	17,674,043	12.4	42.9
Tencent Entities(3)	38,066,599	—	12.8	8.3
Cosmic Blue Investments Limited(4)	19,975,733	—	6.7	4.4
AI Knowledge LLC(5)	17,865,410	—	6.0	3.9
Innovation Works Entities(6)	16,702,461	—	5.6	3.8
Matthews International Capital Management LLC(7)	16,285,565	—	5.2	3.6

Notes:

* Less than 1% of our total outstanding ordinary shares on an as-converted basis.

** Except as otherwise indicated below, the business address of our directors and executive officers is 18 Xueqing Road, Haidian District, Beijing 100083, People's Republic of China. The business address of Mr. Zhaohui Li is 10/F, China Technology Trade Center, No. 66 North 4th Ring West Road, Haidian District, Beijing, People's Republic of China. The business address of Mr. Bing Yu is No. 26 Xierqi Middle Road, Haidian District, Beijing, People's Republic of China. The business address of Mr. Hanhui Sam Sun is 64 Donggong Street, Dongcheng District, Beijing 100009, People's Republic of China. The business address of Ms. Hope Ni is House 17B, Shouson Peak, 9-19 Shouson Hill Road, Deep Water Bay, Hong Kong. The business address of Mr. Derek Chen is 1601, G3, Bihaiyuan, 97 Yaojiayuan Road, Beijing, China 100026.

† For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the total number of shares outstanding and the number of shares such person or group has the right to acquire upon exercise of option, warrant or other right within 60 days after March 31, 2024.

†† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class B ordinary shares is entitled to ten votes per share, subject to certain conditions, and each holder of our Class A ordinary shares is entitled to one vote per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

(1) Represents 19,180,535 Class A ordinary shares, including 9,621,477 Class A ordinary shares granted on April 8, 2022, or the CEO Award Shares, and 17,674,043 Class B ordinary shares held by MO Holding Ltd. MO Holding Ltd is a company incorporated in the British Virgin Islands. More than 99% of the interest of MO Holding Ltd is held by South Ridge Global Limited, which is wholly controlled by a trust that was established for the benefit of Mr. Zhou and his family, and the remaining interest of MO Holding Ltd is held by Mr. Zhou. The registered address of MO Holding Ltd is Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands. Mr. Zhou has undertaken and covenanted that, unless and until the performance results targets set by the audit committee of the board directors have been met, (a) he shall not offer, pledge, sell, contract to sell, lend, or otherwise transfer or dispose of, directly or indirectly, any interest in the CEO Award Shares; and (b) he will cast votes of all of the CEO Award Shares at our shareholder meetings or with respect to written resolution of shareholders in the manner consistent with the views and suggestions of the board of directors; he will abstain from voting if no such view or suggestion is formulated by the board as a whole.

(2) Represents (i) 99,450 Class A ordinary shares held by Mr. Dahai Li in the form of ADSs, (ii) 1,673,042 Class A ordinary shares held by Ocean Alpha Investment Limited, a company incorporated in the British Virgin Islands, and (iii) 1,106,198 Class A ordinary shares held by SEA & SANDRA Global Limited, a company incorporated in Seychelles. Ocean Alpha Investment Limited is wholly controlled by a trust that was established for the benefit of Mr. Dahai Li and his family. SEA & SANDRA Global Limited is wholly owned by Mr. Dahai Li. The registered address of Ocean Alpha Investment Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The registered address of SEA & SANDRA Global Limited is Sertus Chambers, Suite F24, First Floor, Eden Plaza, Eden Island, PO Box 334, Mahe, Seychelles. Information regarding beneficial ownership is reported as of February 2, 2024, based on the information contained in the form of disclosure of interests filed by Mr. Dahai Li with the Hong Kong Stock Exchange on February 7, 2024.

(3) Represents (i) 10,617,666 Class A ordinary shares held by Image Frame Investment (HK) Limited, a company incorporated in Hong Kong, and (ii) 27,448,933 Class A ordinary shares held by Huang River Investment Limited, a company incorporated in the British Virgin Islands. Image Frame Investment (HK) Limited and Huang River Investment Limited, or Tencent Entities, are subsidiaries of Tencent Holdings Limited. The address of principal offices of each of Image Frame Investment (HK) Limited and Huang River Investment Limited is Level 29, Three Pacific Place, No. 1 Queen's Road East, Wanchai, Hong Kong. Information regarding beneficial ownership is reported as of January 30, 2024, based on the information contained in the Schedule 13D/A filed by the Tencent Entities with the SEC on February 1, 2024.

(4) Represents 19,975,733 Class A ordinary shares held by Cosmic Blue Investments Limited, a company incorporated in the British Virgin Islands. Cosmic Investments Limited is wholly owned by Kuaishou Technology (HKEX: 1024). The registered address of Cosmic Blue Investments Limited is Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands. Information regarding beneficial ownership is reported as of May 10, 2022, based on the information contained in the form of disclosure of interests filed by Cosmic Blue Investments Limited with the Hong Kong Stock Exchange on May 10, 2022.

(5) Represents 17,865,410 Class A ordinary shares held by AI Knowledge LLC, a company incorporated in the United States. AI Knowledge LLC is wholly owned by Access Industries Management, LLC, which is wholly owned by Len Blavatnik. The registered address of AI Knowledge LLC is 251 Little Falls Drive, Wilmington, DE, 19808, USA. Information regarding beneficial ownership is reported as of February 16, 2024, based on the information contained in the Schedule 13D/A filed by AI Knowledge LLC and Access Industries Management, LLC with the SEC on February 20, 2024.

(6) Represents (i) 12,733,697 Class A ordinary shares held by Innovation Works Development Fund, L.P., a fund organized under the laws of the Cayman Islands, and (ii) 3,968,764 Class A ordinary shares held by Innovation Works Holdings Limited, a company incorporated in the British Virgin Islands. The general partner of Innovation Works Development Fund, L.P. is Innovation Works Development Fund GP, L.P., whose general partner is Innovation Works Development Fund GP, LLC. Innovation Works Development Fund GP, LLC is beneficially owned by Peter Liu and Kai-Fu Lee. Innovation Works Holdings Limited is wholly owned by Kai-Fu Lee. The registered address of Innovation Works Holdings Limited is P.O. Box 3321, Drake Chambers, Road Town, Tortola, British Virgin Islands. The registered address of Innovation Works Development Fund, L.P. is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Information regarding beneficial ownership is reported as of December 31, 2023, based on the information contained in the Schedule 13G filed by Innovation Works Development Fund, L.P. and Innovation Works Holdings Limited, among other reporting persons, with the SEC on January 22, 2024.

(7) Represents 16,285,565 Class A ordinary shares in the form of 32,571,129 ADSs held by Matthews International Capital Management LLC, an authorized agent and the investment manager of the Matthews Fund. The registered address of Matthews International Capital Management LLC is Suite 550, 4 Embarcadero Center, San Francisco, CA, 94111. Information regarding beneficial ownership is reported as of March 31, 2024, based on the information contained in the Form 13F filed by Matthews International Capital Management LLC with the SEC on April 15, 2024.

To our knowledge and based on our review of our register of members as of March 31, 2024, we had 72,842,489 Class A ordinary shares, including Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plan, that were held of record by one holder that resides in the United States, being JPMorgan Chase Bank, N.A., the depositary of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our Class A ordinary shares in the United States. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

F. Disclosure of A Registrant's Action to Recover Erroneously Awarded Compensation

Not applicable.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions

Contractual Arrangements with the VIEs and Their Shareholders

See "Item 4. Information on the Company—C. Organizational Structure."

Private Placements

See "Item 4. Information on the Company—A. History and Development of the Company."

Shareholders Agreement

We entered into our sixth amended and restated shareholders agreement on August 7, 2019 with our shareholders, which consist of holders of preferred shares and holder of warrant to purchase our preferred shares. The sixth amended and restated shareholders agreement provide for certain shareholders' rights, including registration rights, information and inspection rights, preemptive rights, rights of first refusal and co-sale rights, and voting rights and contains provisions governing our board of directors and other corporate governance matters. The special rights other than registration rights and the corporate governance provisions automatically terminated upon the completion of our initial public offering.

Registration Rights

We have granted certain registration rights to our shareholders who hold our preferred shares prior to our initial public offering. Set forth below is a description of the registration rights granted under the shareholders agreement.

Demand Registration Rights. At any time after the earlier of (i) August 7, 2024 or (ii) six months following the closing of our initial public offering, holders of at least ten percent of Class A ordinary shares issued and Class A ordinary shares issuable upon conversion of the preferred shares held by all such holders, or registrable securities, may request in writing that we effect a registration of at least ten percent of the registrable securities. We have a right to defer filing of a registration statement for the period during which such filing would be materially detrimental to us or our members on the condition that we furnish to the holders a certificate signed by our chief executive officer. However, we cannot exercise the deferral right for more than 90 days on any one occasion or more than once during any twelve-month period and cannot register any other securities during such 90-day period. We are obligated to effect no more than three demand registrations that have been declared and ordered effective.

Registration on Form F-3. Holders of at least ten percent of the registrable securities may request us to effect a registration on Form F-3 if we qualify for registration on Form F-3. We have a right to defer filing of a registration statement for the period during which such filing would be materially detrimental to us or our members on the condition that we furnish to the holders a certificate signed by our chief executive officer. However, we cannot exercise the deferral right for more than 90 days on any one occasion or more than once during any twelve-month period and cannot register any other securities during such 90-day period.

Piggyback Registration Rights. If we propose to register for our own account any of our equity securities, in connection with the public offering of such equity securities, we should promptly give holders of our registrable securities written notice of such registration and, upon the written request of any holder given within fifteen (15) days after delivery of such notice, we should use our reasonable best efforts to include in such registration the registrable securities requested to be registered by such holder.

Expenses of Registration. We will bear all registration expenses, other than the underwriting discounts and selling commissions applicable to the sale of the registrable securities.

Termination of Obligations. The shareholders' registration rights will terminate upon the earlier of (i) March 30, 2026 and (ii) with respect to any holder, the date on which such holder may sell all of such holder' registrable securities under Rule 144 of the Securities Act in any 90-day period.

Employment Agreements and Indemnification Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements and Indemnification Agreements."

Share Incentive Plan

See "Item 6. Directors, Senior Management and Employees—B. Compensation—2022 Share Incentive Plan." For share incentive awards granted to our directors and officers under the 2012 Incentive Compensation Plan, which was terminated, and the 2022 Plan in 2021 and 2022, see "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans" of our annual report on Form 20-F for the fiscal year ended December 31, 2022 filed with the SEC on April 28, 2023.

Other Transactions with Related Parties

Transactions with Tencent entities. Our transactions with Tencent Holdings Limited, one of our principal beneficial owners, and its subsidiaries, included (i) purchase of services which primarily related to cloud and bandwidth services, amounting to RMB110.8 million, RMB137.7 million, and RMB28.8 million (US$4.1 million) in 2021, 2022, and 2023, respectively; and (ii) provision of services which primarily related to marketing services, amounting to RMB10.9 million, RMB25.7 million, and RMB29.2 million (US$4.1 million) in 2021, 2022, and 2023, respectively. The amount due from the Tencent entities were RMB8.8 million, RMB22.6 million, and RMB2.3 million (US$0.3 million) as of December 31, 2021, 2022, and 2023, respectively, and the amount due to the Tencent entities were RMB67.4 million, RMB19.1 million, and RMB7.2 million (US$1.0 million) as of December 31, 2021, 2022, and 2023, respectively.

Transactions with Baidu entities. Our transactions with Baidu, Inc., one of our beneficial owners, and its subsidiaries, included (i) purchase of services which primarily related to marketing services and cloud and bandwidth services, amounting to RMB142.3 million in 2021; and (ii) provision of services which primarily related to advertising services, amounting to RMB19.7 million in 2021. The amount due from the Baidu entities were RMB6.4 million as of December 31, 2021, and the amount due to the Baidu entities were RMB14.6 million as of December 31, 2021. As of December 31, 2021, Baidu entities were no longer a related party of us.

Transactions with Kuaishou entities. Our transactions with Kuaishou Technology, one of our principal beneficial owners, and its subsidiary, included (i) purchase of services which primarily related to marketing services and cloud and bandwidth services, amounting to RMB2.2 million, RMB14.4 million, and RMB10.8 million (US$1.5 million) in 2021, 2022, and 2023, respectively; and (ii) provision of services, which primarily related to marketing services, amounting to RMB7.9 million, RMB14.8 million, and RMB5.4 million (US$0.8 million) in 2021, 2022, and 2023, respectively. The amount due from the Kuaishou entities was RMB3.0 million, RMB2.2 million, and RMB2.5 million (US$0.4 million) as of December 31, 2021, 2022, and 2023, respectively, and the amount due to the Kuaishou entities was RMB1.6 million, RMB5.8 million, and RMB4.2 million (US$0.6 million) as of December 31, 2021, 2022, and 2023, respectively.

Transactions with Mianbi. Our transactions with Beijing Mianbi Intelligent Technology Co., Ltd., or Mianbi, one of the companies we invested in, included provision of other services, amounting to RMB0.5 million (US$0.1 million) in 2023. The amount due from Mianbi, which primarily related to expenditures paid by us on behalf of Mianbi, amounting to RMB13.6 million (US$1.9 million) as of December 31, 2023, and the amount due to Mianbi, which related to the unpaid consideration for our investment in Mianbi, amounting to RMB14.6 million (US$2.0 million) as of December 31, 2023.

C. Interests of Experts and Counsel

Not applicable.

Item 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of our business. We are currently not a party to any material legal or administrative proceedings. Litigation or any other legal or administrative proceeding, regardless of the outcome, could result in substantial costs and diversion of our resources, including our management's time and attention.

Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management's time and attention. For potential impact of legal or administrative proceedings on us, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may be subject to regulatory actions or legal proceedings in the ordinary course of our business. If the outcomes of these regulatory actions or legal proceedings are adverse to us, it could materially and adversely affect our business, financial condition, and results of operations."

Dividend Policy

Our board of directors has discretion on 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. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to pay dividends, the form, frequency, and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings our business operations.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations Relating to Dividend Distribution."

If we pay any dividends on our Class A ordinary shares, we will pay those dividends that are payable in respect of the Class A ordinary shares underlying our ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to holders of ADSs in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs have been listed on New York Stock Exchange since March 26, 2021. The ADSs trade under the ticker symbol "ZH." Two ADSs represent one Class A ordinary share, par value US$0.000125 per share.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on New York Stock Exchange since March 26, 2021. The ADSs trade under the ticker symbol "ZH." Two ADSs represent one Class A ordinary share, par value US$0.000125 per share.

Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since April 22, 2022 under the stock code "2390."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands exempted company and our affairs are governed by our memorandum and articles of association, as amended from time to time, the Companies Act (As Revised) of the Cayman Islands, which we refer to as the Companies Act below, and the common law of the Cayman Islands.

Our shareholders have conditionally adopted the eleventh amended and restated memorandum and articles of association, which became effective on June 10, 2022. The following are summaries of material provisions of the eleventh amended and restated memorandum and articles of association and of the Companies Act, insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Pursuant to Article 2 of our eleventh amended and restated memorandum of association, our registered office is at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands, or at such other location within the Cayman Islands as our directors may from time to time determine. Pursuant to Article 3 of our eleventh amended and restated memorandum of association, the objects for which our company is established are unrestricted and our 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.

Directors

See "Item 6. Directors, Senior Management and Employees—C. Board Practices."

Ordinary Shares

General. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of members. We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Class B Ordinary Shares shall only be held by Mr. Yuan Zhou or a director holding vehicle as defined in our eleventh amended and restated memorandum of association. Subject to the Hong Kong Listing Rules or other applicable laws or regulations, each Class B ordinary share shall be automatically converted into one Class A ordinary share upon the occurrence of any of the following events:

- the death of the holder of such Class B ordinary share (or, where the holder is a director holding vehicle, the death of Mr. Yuan Zhou);
- the holder of such Class B ordinary share ceasing to be a director or a director holding vehicle for any reason;
- the holder of such Class B ordinary share (or, where the holder is a director holding vehicle, Mr. Yuan Zhou) being deemed by The Stock Exchange of Hong Kong Limited to be incapacitated for the purpose of performing his duties as a director;
- the holder of such Class B ordinary share (or, where the holder is a director holding vehicle, Mr. Yuan Zhou) being deemed by The Stock Exchange of Hong Kong Limited to no longer meet the requirements of a director set out in the Hong Kong Listing Rules; or
- any direct or indirect sale, transfer, assignment, or disposition of the beneficial ownership of, or economic interest in, such Class B ordinary share or the control over the voting rights attached to such Class B ordinary share through voting proxy or otherwise to any person, including by reason that a director holding vehicle no longer complies with Rule 8A.18(2) of the Hong Kong Listing Rules (in which case we and Mr. Yuan Zhou or the director holding vehicle must notify The Stock Exchange of Hong Kong Limited as soon as practicable with details of the non-compliance), other than a transfer of the legal title to such Class B ordinary share by Mr. Yuan Zhou to a director holding vehicle wholly-owned and wholly controlled by him, or by a director holding vehicle to Mr. Yuan Zhou or another director holding vehicle wholly-owned and wholly controlled by Mr. Yuan Zhou.

For the avoidance of doubt, the creation of any pledge, charge, encumbrance, or other third party right of whatever description on any of Class B ordinary shares to secure a holder's contractual or legal obligations shall not be deemed as a sale, transfer, assignment, or disposition under this Article 14 unless and until any such pledge, charge, encumbrance, or other third party right is enforced and results in a third party that is not Mr. Yuan Zhou or the director holding vehicle wholly-owned and wholly controlled by Mr. Yuan Zhou holding directly or indirectly legal or beneficial ownership or voting power through voting proxy or otherwise to the related Class B ordinary shares, in which case all the related Class B ordinary shares shall be automatically converted into the same number of Class A ordinary shares. All of the Class B ordinary shares in the authorised share capital shall be automatically re-designated into Class A ordinary shares in the event all of the Class B ordinary shares in issue are converted into Class A ordinary shares, or that none of the holders of Class B ordinary shares at the time of our initial listing on The Stock Exchange of Hong Kong Limited hold any Class B ordinary shares, and no further Class B ordinary shares shall be issued by us.

Furthermore, our eleventh amended and restated memorandum of association provide that in the event we reduce the number of Class A ordinary shares in issue (e.g. through a purchase of its own shares), the holders of Class B ordinary shares shall reduce their weighted voting rights in us proportionately, whether through a conversion of a portion of their Class B ordinary shares or otherwise, if the reduction in the number of Class A ordinary shares in issue would otherwise result in an increase in the proportion of Class B ordinary shares to the total number of shares in issue.

No further Class B ordinary shares shall be issued by us, except with the prior approval of The Stock Exchange of Hong Kong Limited and pursuant to (i) an offer to subscribe for ordinary shares made to all the shareholders pro rata (apart from fractional entitlements) to their existing holdings; (ii) a pro rata issue of ordinary shares to all the shareholder by way of scrip dividends; or (iii) an ordinary share subdivision or other similar capital reorganization; provided that, each shareholder shall be entitled to subscribe for (in a pro rata offer) or be issued (in an issue of ordinary shares by way of scrip dividends) ordinary shares in the same class as the ordinary shares then held by him, notwithstanding the provisions of Article 23 of our eleventh amended and restated memorandum of association; and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class B ordinary shares in issue, so that: (a) if, under a pro rata offer, any holder of Class B ordinary shares does not take up any part of the Class B ordinary 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 A ordinary shares; and (b) to the extent that rights to Class A ordinary shares in a pro rata offer are not taken up in their entirety, the number of Class B ordinary shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately.

We shall not take any action (including the issue or repurchase of ordinary shares of any class) that would result in (a) the aggregate number of votes entitled to be cast by all holders of Class A ordinary shares (for the avoidance of doubt, excluding those who are also holders of Class B ordinary 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 (b) an increase in the proportion of Class B ordinary shares to the total number of ordinary shares in issue.

Dividends. Our directors may from time to time declare dividends (including interim dividends) and other distributions on our shares in issue and authorize payment of the same out of the funds of our company lawfully available therefor. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend may exceed the amount recommended by our directors. Our eleventh amended and restated memorandum and articles of association provide that dividends may be declared and paid out of the funds of our company lawfully available therefor. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account; provided that in no circumstances may a dividend be paid if that would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. Subject to any rights and restrictions for the time being attached to any ordinary share, every shareholder present shall, at a general meeting of our company, have the right to speak. Notwithstanding any provisions in our eleventh amended and restated memorandum and articles of association to the contrary, each Class A ordinary share and each Class B ordinary share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on any of the following matters:

(a) any amendment to our eleventh amended and restated memorandum and articles of association, including the variation of the rights attached to any class of shares;

(b) the appointment, election or removal of any independent non-executive director;

(c) the appointment or removal of the auditors; or

(d) the voluntary liquidation or winding-up of our company.

Notwithstanding the foregoing, where a holder of Class B ordinary shares is permitted by The Stock Exchange of Hong Kong Limited from time to time to exercise more than one vote per ordinary share when voting on a resolution to amend our eleventh amended and restated memorandum and articles of association, any holder of Class B ordinary share may elect to exercise such number of votes per ordinary share as is permitted by The Stock Exchange of Hong Kong Limited, up to the maximum number of votes attached to each Class B ordinary share as set out above.

Except for matters mentioned above, on a show of hands every shareholder present at the meeting shall, at a general meeting of our company, each have one vote, and on a poll each holder of Class A ordinary shares present at the meeting is entitled to one vote per share and each holder of Class B ordinary shares present at the meeting is entitled to ten votes per share. At any general meeting a resolution put to the vote of the meeting shall be decided on a poll save that the chairman of such meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Hong Kong Listing Rules to be voted on by a show of hands.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of not less than three-fourths of the votes cast by holders of the issued and outstanding ordinary shares at a meeting and includes a unanimous written resolution passed. A special resolution will be required for important matters such as reduction of share capital or making changes to our eleventh amended and restated memorandum and articles of association.

General Meetings of Shareholders. As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our eleventh amended and restated memorandum and articles of association provide that we shall in each financial year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by the chairman of our board of directors or by our directors (acting by a resolution of our board). An annual general meeting shall be called by not less than 21 days' notice in writing and any other general meeting (including an extraordinary general meeting) shall be called by not less than 14 days' notice in writing. A quorum required for any general meeting of shareholders consists of one or more of our shareholders holding shares which carry in aggregate (or representing by proxy) not less than 10% of all votes attaching to the issued and outstanding shares in our company entitled to vote at such general meeting (on a one vote per ordinary share basis).

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our eleventh amended and restated memorandum and articles of association provide that upon the requisition of any one or more of our shareholders holding shares which carry in aggregate not less than one-tenth of the paid up capital of our company, on a one vote per share basis, that as at the date of the deposit entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. The requisition must state the objects of the meeting and the resolutions to be added to the meeting agenda.

Transfer of Ordinary Shares. Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors. The instrument of transfer of any ordinary share shall be in writing and shall be executed with a manual signature or facsimile signature (which may be machine imprinted or otherwise) by or on behalf of the transferor and transferee provided that in the case of execution by facsimile signature by or on behalf of a transferor or transferee, our board of directors shall have previously been provided with a list of specimen signatures of the authorised signatories of such transferor or transferee and our board of directors shall be reasonably satisfied that such facsimile signature corresponds to one of those specimen signatures.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four;
- the shares are free from any lien in favor of the Company; and
- a fee of such maximum sum as the New York Stock Exchange may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they must, within three calendar months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on ten calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the rules of the New York Stock Exchange be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine; provided, however, that the registration of transfers may not be suspended nor the register closed for more than 30 days in any year as our board may determine.

Liquidation. On the winding up of our company, if the assets available for distribution amongst our shareholders will be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, such assets will be distributed so that, as nearly as may be, the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 calendar days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by our shareholders by special resolution. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders, provided always that any such purchase shall only be made in accordance with any relevant code, rules, or regulations issued by The Stock Exchange of Hong Kong Limited or the Securities and Futures Commission of Hong Kong from time to time in force. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variation of Rights of Shares. Whenever the capital of our company is divided into different classes, the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied with the consent in writing of the holders of all of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation, allotment, or issue of further shares ranking *pari passu* with such existing class of shares.

Issuance of Additional Shares. Our eleventh amended and restated memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors may determine, to the extent of available authorized but unissued shares. No further Class B ordinary shares shall be issued by us, except with the prior approval of The Stock Exchange of Hong Kong Limited and pursuant to (i) an offer to subscribe for ordinary shares made to all the shareholders pro rata (apart from fractional entitlements) to their existing holdings; (ii) a pro rata issue of ordinary shares to all the shareholder by way of scrip dividends; or (iii) a ordinary share subdivision or other similar capital reorganization; provided that, each shareholder shall be entitled to subscribe for (in a pro rata offer) or be issued (in an issue of ordinary shares by way of scrip dividends) ordinary shares in the same class as the ordinary shares then held by him, notwithstanding the provisions of Article 23 of our eleventh amended and restated memorandum of association; and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class B ordinary shares in issue, so that: (a) if, under a pro rata offer, any holder of Class B ordinary shares does not take up any part of the Class B ordinary 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 A ordinary shares; and (b) to the extent that rights to Class A ordinary shares in a pro rata offer are not taken up in their entirety, the number of Class B ordinary shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately.

Subject to the Articles and compliance with the Hong Kong Listing Rules and the Takeovers Code, and on the conditions that (a) no new Class of Shares with voting rights superior to those of Class A Ordinary Shares will be created; and (b) any variations in the relative rights as between the different classes will not result in the creation of new Class of Shares with voting rights superior to those of Class A ordinary shares, our eleventh amended and restated memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (other than copies of our memorandum and articles of association and register of mortgages and charges, and any special resolution passed by our shareholders). However, we intend to provide our shareholders with annual audited financial statements.

Exempted Company. We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Exclusive forum. Pursuant to article 188 of our eleventh amended and restated memorandum and articles of association, for the avoidance of doubt and without limiting the jurisdiction of the courts of the Cayman Islands and the courts of Hong Kong to hear, settle and/or determine disputes related to us and without prejudice to article 189 of our eleventh amended and restated memorandum and articles of association, we, our shareholders, directors and officers agree to submit to the jurisdiction of the courts of the Cayman Islands and Hong Kong, to the exclusion of other jurisdictions, for (i) any derivative action or proceeding brought on behalf of us, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of us to the Company or the Members, (iii) any action asserting a claim arising pursuant to any provision of the Companies Act or these Articles including but not limited to any purchase or acquisition of Shares, security, or guarantee provided in consideration thereof, or (iv) any action asserting a claim against us which if brought in the United States of America would be a claim arising under the internal affairs doctrine (as such concept is recognized under the laws of the United States from time to time). Notwithstanding Article 188 of our eleventh amended and restated memorandum and articles of association, the United States District Court for the Southern District of New York (or, if the United States District Court for the Southern District of New York lacks subject matter jurisdiction over a particular dispute, the state courts in New York County, New York) shall be the exclusive forum within the United States for the resolution of any complaint asserting a cause of action arising under the Securities Act and the Exchange Act. Any person or entity purchasing or otherwise acquiring any of our shares, ADSs or other securities shall be deemed to have notice of and consented to the provisions of our eleventh amended and restated memorandum and articles of association. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADSs and Class A Ordinary Shares—Forum selection provisions in our currently effective memorandum and articles of association and our deposit agreement with the depositary bank could limit the ability of holders of our Class A ordinary shares, ADSs, or other securities to obtain a favorable judicial forum for disputes with us, our directors and officers, the depositary bank, and potentially others."

C. Material Contracts

Other than in the ordinary course of business and other than those described under this item, in "Item 4. Information on the Company," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions," or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report.

D. Exchange Controls

The Cayman Islands currently has no exchange control restrictions. See also "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations relating to Foreign Exchange."

E. Taxation

The following summary of material Cayman Islands, PRC, Hong Kong and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to holders of our ADSs or ordinary shares levied by the government of the Cayman Islands except for stamp duties, which may be applicable on instruments executed in, or brought within the jurisdiction of, the Cayman Islands. Payments of dividends and capital in respect of our ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares, nor will gains derived from the disposal of our ordinary shares be subject to Cayman Islands income or corporation tax. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

PRC Taxation

Under the PRC Enterprise Income Tax Law, an enterprise established outside China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform 25% enterprise income tax rate, or the EIT rate, on its global income. Under the implementation rules of the PRC Enterprise Income Tax, "de facto management body" is defined as the organization body that effectively exercises full management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

According to STA Circular 82 promulgated in April 2009, a Chinese-controlled offshore incorporated enterprise is regarded as a PRC tax resident by virtue of having a "de facto management body" in China and subject to the ETI rate on its worldwide income only if all of the following criteria are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (iv) 50% or more of voting board members or senior executives habitually reside in China.

We believe that Zhihu Inc. is not a PRC resident enterprise for PRC tax purposes. Zhihu Inc. is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that Zhihu Inc. meets all of the conditions above. Zhihu Inc. is a company incorporated outside China. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside China. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." There can be no assurance that the PRC government will ultimately take a view that is consistent with ours.

If the PRC tax authorities determine that Zhihu Inc. is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-PRC resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC resident individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC resident individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of Zhihu Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that Zhihu Inc. is treated as a PRC resident enterprise. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and materially and adversely affect our results of operations and the value of your investment."

United States Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or Class A ordinary shares by a U.S. Holder (as defined below) that acquires our ADSs and holds our ADSs as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the "Code"). This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. There can be no assurance that the IRS or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, minimum tax, and other non-income tax considerations, the Medicare tax on certain net investment income or any state, local, or non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or Class A ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- holders who acquire their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own 10% or more of our stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or Class A ordinary shares through such entities;

all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of our ADSs or Class A ordinary shares.

General

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of our ADSs or Class A ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or Class A ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or Class A ordinary shares.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a PFIC for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income (the "income test") or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income (the "asset test"). For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company's goodwill and other unbooked intangibles are taken into account. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

Although the law in this regard is not entirely clear, we treat the VIEs and their subsidiaries as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them. As a result, we consolidated their results of operations in our consolidated U.S. GAAP financial statements.

Based upon the nature and composition of our income and assets, and the market price of our ADSs, we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2023, and we will likely be a PFIC for our current taxable year unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, the PFIC rules discussed below under "—Passive Foreign Investment Company Rules" generally will apply to such U.S. Holder for such taxable year, and unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC.

The discussion below under "—Dividends" and "—Sale or Other Disposition" is written on the basis that we will not be or become classified as a PFIC for U.S. federal income tax purposes. The U.S. federal income tax rules that apply generally if we are treated as a PFIC for any taxable year are discussed below under "—Passive Foreign Investment Company Rules."

Dividends

Any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or Class A ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of Class A ordinary shares, or by the depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a "dividend" for U.S. federal income tax purposes. Dividends received on our ADSs or Class A ordinary shares will not be eligible for the dividends received deduction generally allowed to corporations. A non-corporate U.S. Holder will be subject to tax at the lower capital gain tax rate applicable to "qualified dividend income," provided that certain conditions are satisfied, including that (1) our ADSs or ordinary shares on which the dividends are paid are readily tradeable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefits of the United States-PRC income tax treaty (the "Treaty"), (2) we are neither a PFIC nor treated as such with respect to such a U.S. Holder for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Our ADSs (but not our Class A ordinary shares) are currently listed on the New York Stock Exchange, which is an established securities market in the United States. We received a letter on December 28, 2023 from the NYSE notifying use that we were below compliance standards of the NYSE and, if we fail to regain compliance on a timely basis, our ADSs could be delisted from the NYSE. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADSs and Class A Ordinary Shares—The trading prices of our Class A ordinary shares and the ADSs have been and may be volatile, which could result in substantial losses to investors."

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see "—PRC Taxation"), we may be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described in the preceding paragraph.

Dividends paid on our ADSs or ordinary shares, if any, will generally be treated as income from foreign sources and will generally constitute passive category income for U.S. foreign tax credit purposes. Depending on the U.S. Holder's individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any nonrefundable foreign withholding taxes imposed on dividends received on our ADSs or Class A ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign taxes withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder's individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2023, and we will likely be classified as a PFIC for our current taxable year. U.S. Holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends with respect to the ADSs or Class A ordinary shares in their particular circumstances.

Sale or Other Disposition

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or Class A ordinary shares. Any capital gain or loss will be long-term if the ADSs or Class A ordinary shares have been held for more than one year and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. Long-term capital gain of non-corporate U.S. Holders will generally be eligible for a reduced rate of taxation. In the event that gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in China, a U.S. Holder may elect to treat such gain as PRC-source gain under the Treaty. Pursuant to the Treasury Regulations, however, if a U.S. Holder is not eligible for the benefits of the Treaty or does not elect to apply the Treaty, then such holder may not be able to claim a foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or common shares. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of the foreign tax credit or deduction under their particular circumstances, their eligibility for benefits under the Treaty, and the potential impact of the Treasury Regulations.

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2023, and we will likely be classified as a PFIC for our current taxable year. U.S. Holders are urged to consult their tax advisors regarding the tax considerations of the sale or other disposition of the ADSs or Class A ordinary shares in their particular circumstances.

Passive Foreign Investment Company Rules

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2023, and we will likely be classified as a PFIC for our current taxable year. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or Class A ordinary shares), and (ii) any gain realized on the sale or other disposition of ADSs or Class A ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or Class A ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each, a "pre-PFIC year"), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our subsidiaries, the VIEs or any of their subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries, the VIEs, or their subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to such stock, provided that such stock is regularly traded on a qualified exchange or other market, as defined in applicable United States Treasury regulations. For those purposes, our ADSs, but not our Class A ordinary shares, are currently listed on the New York Stock Exchange, which is a qualified exchange. As mentioned above, we received a letter from the NYSE notifying us that we were below compliance standards of the NYSE and, if we fail to regain compliance on a timely basis, our ADSs could be delisted from the NYSE. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADSs and Class A Ordinary Shares—The trading prices of our Class A ordinary shares and the ADSs have been and may be volatile, which could result in substantial losses to investors."

If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621. You should consult your tax advisors regarding the U.S. federal income tax consequences of owning and disposing of our ADSs or Class A ordinary shares if we are or become a PFIC.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers, and are required to file reports and other information with the SEC. Specifically, we are required to file annually an annual report on Form 20-F within four months after the end of each fiscal year, which is December 31. All information we have filed with the SEC can be obtained over the internet at the SEC's website at *www.sec.gov*. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish JPMorgan Chase Bank, N.A., the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

In accordance with NYSE Rule 203.01, we will post this annual report on Form 20-F on our website at *http://ir.zhihu.com*. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

J. Annual Report to Security Holders

We intend to submit the annual report to be provided to security holders in electronic format pursuant to the Hong Kong Listing Rules as an exhibit to a current report on Form 6-K.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits and wealth management products. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

We may invest the net proceeds that we receive from our overseas offerings in interest-earning instruments. Investments in both fixed-rate and floating rate interest-earning instruments carry a degree of interest rate risk. Fixed-rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating-rate securities may produce less income than expected if interest rates fall.

Foreign Exchange Risk

Our expenditures are mainly denominated in Renminbi and, therefore, we are exposed to risks related to movements between Renminbi and U.S. dollars. We enter into hedging transactions in an effort to reduce our exposure to foreign currency exchange risk when we deem appropriate. In addition, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollars and Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs are be traded in U.S. dollars.

The conversion of Renminbi into other currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against other currencies, at times significantly and unpredictably. The value of Renminbi against other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and other currencies in the future.

To the extent that we need to convert U.S. dollars or other currencies into Renminbi for our operations, appreciation of Renminbi against U.S. dollars would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars or other currency for the purpose of making payments to suppliers or for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of U.S. dollars against Renminbi would have a negative effect on the U.S. dollar amounts available to us.

As of December 31, 2023, we had RMB-denominated cash and cash equivalents, term deposits, and short-term investments of RMB3,165.8 million, and U.S. dollar-denominated cash and cash equivalents, term deposits, and short-term investments of US$324.3 million. Assuming we had converted RMB3,165.8 million into U.S. dollars at the exchange rate of RMB7.0999 for US$1.00 as of December 29, 2023, our U.S. dollar cash balance would have been US$770.2 million. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US$729.6 million instead.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities, or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, $5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, or upon which a share distribution or elective distribution is made or offered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights, and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall also be incurred by the ADR holders, the beneficial owners, by any party depositing or withdrawing shares or by any party surrendering ADSs and/or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of US$0.05 or less per ADS held for any cash distribution made, or for any elective cash/stock dividend offered, pursuant to the deposit agreement;
- an aggregate fee of US$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges, and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of ADR holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against ADR holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such ADR holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the $0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those ADR holders entitled thereto;
- stock transfer or other taxes and other governmental charges.

Fees and Other Payments Made by the Depositary to Us

Our depositary reimburses us for certain expenses we incur that are related to establishment and maintenance of the ADR program. For the year ended December 31, 2023, we received US$6.1 million of cash reimbursement, net of tax, from the depositary.

Conversion between Class A Ordinary Shares and ADSs

Dealings and Settlement of Class A Ordinary Shares in Hong Kong

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

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

- Hong Kong Stock Exchange trading fee of 0.00565% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- AFRC (the Accounting and Financial Reporting Council of Hong Kong) transaction levy of 0.00015% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK$5.00 per transfer deed (if applicable), payable by the seller;

- ad valorem stamp duty at a total rate of 0.20% of the value of the transaction, with 0.10% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK$2.00 and a maximum fee of HK$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- Computershare Hong Kong Investor Services Limited, our Hong Kong Share Registrar, will charge between HK$2.50 to HK$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A Ordinary Shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

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

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

Depositary

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

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

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

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

Transfer of Shares to Hong Kong Share Register

For the purposes of trading on the Hong Kong Stock Exchange, the Class A Ordinary Shares must be registered in the Hong Kong Share Register. ADSs are quoted for trading on NYSE. An investor who holds Class A Ordinary Shares and wishes to trade ADSs on NYSE must deposit or have his broker deposit with J.P. Morgan Chase Bank N.A. Hong Kong, as custodian of the Depositary (the "Depositary's Custodian"), Class A Ordinary Shares, or evidence of rights to receive Class A Ordinary Shares, so as to receive the corresponding ADSs as described below.

Converting Class A Ordinary Shares Trading in Hong Kong to ADSs

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

- If Class A Ordinary Shares have been deposited with CCASS, the investor must transfer Class A Ordinary Shares to the depositary's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.

- If Class A Ordinary Shares are held outside CCASS, the investor must arrange to deposit his or her Class A Ordinary Shares into the CCASS for delivery to the depositary's account with the custodian within CCASS, and must submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.

- Upon payment of its fees and expenses, payment or net of the depositary's fees and expenses, and payment of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will register the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor or his or her broker if such ADSs are to be held in book-entry form through DTC's "Direct Registration System".

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

Converting ADSs to Class A Ordinary Shares Trading in Hong Kong

Following the listing of our Class A Ordinary Shares on the Hong Kong Stock Exchange, Class A Ordinary Shares registered on the Hong Kong share register will be able to convert these Class A Ordinary Shares into ADSs, and vice versa, subject to certain exceptions as provided herein. In addition, thereafter all deposits of Class A Ordinary Shares for the issuance of ADSs and all withdrawals of Class A Ordinary Shares upon the cancellation of ADSs will be in the form of Class A Ordinary Shares registered on our Hong Kong share register and all corporate actions with respect thereto will be processed via the depositary's custodian account at CCASS, subject to the rules and procedures applicable to CCASS – eligible securities, and also subject, in each case, to certain exceptions described below and provided that the foregoing shall not apply to certain of our "restricted" Class A Ordinary Shares and Class A Ordinary Shares as determined by the Company and the depositary, which will be via our principal register in the Cayman Islands.

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

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

- To withdraw Class A Ordinary Shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary.

- Upon payment or net of its fees, payment of CCASS' fees and expenses, and payment of expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will instruct the custodian to deliver Class A Ordinary Shares underlying the canceled ADSs to the CCASS account designated by an investor.

- If an investor prefers to receive Class A Ordinary Shares outside CCASS, he or she must receive Class A Ordinary Shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Class A Ordinary Shares in their own names with our Hong Kong Share Registrar.

For Class A Ordinary Shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A Ordinary Shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A Ordinary Shares on the Hong Kong Stock Exchange until the procedures are completed.

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

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

Depositary Requirements

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

- payment of all amounts required pursuant to the deposit agreement, including the issuance and cancellation fees therein, any stock transfer or other tax or other governmental charges and any stock transfer or registration fees in effect;

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including completion and presentation of transfer documents.

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

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

PART II

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

See "Item 10. Additional Information" for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following "Use of Proceeds" information relates to the registration statement on Form F-1 (File Number: 333-253910) relating to our initial public offering of 55,000,000 ADSs representing 27,500,000 Class A ordinary shares, and the underwriters' partial exercise of their option to purchase from us 259,904 additional ADSs representing 129,952 Class A ordinary shares, at an initial offering price of US$9.50 per ADS. The registration statement was declared effective by the SEC on March 25, 2021. Credit Suisse Securities (USA) LLC, Goldman Sachs (Asia) L.L.C., and J.P. Morgan Securities LLC were the representatives of the underwriters.

We raised approximately US$739.4 million in net proceeds from our initial public offering, after deducting underwriting commissions and the offering expenses payable by us, including the net proceeds we received from the underwriters' partial exercise of their option to purchase additional ADSs from us. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities, or our affiliates. None of the net proceeds from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities, or our affiliates.

For the period from March 25, 2021 to December 31, 2023, we have used less than 5% of the net proceeds from our initial public offering for the development of product and service, market and user growth, research and development, and general corporate purposes. There is no material change in the use of proceeds as described in our registration statement on Form F-1. We still intend to use the remainder of the proceeds from our initial public offering for purposes as disclosed in our registration statement on Form F-1.

Item 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e)of the Exchange Act, as of December 31, 2023. Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of December 31, 2023, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management including our chief executive officer and chief financial officer assessed the effectiveness of internal control over financial reporting as of December 31, 2023 using the criteria set forth in the report "Internal Control—Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Our management has excluded Xi'an Zhifeng Network Technology Co., Ltd. from our assessment of internal control over financial reporting as of December 31, 2023 because it was acquired by us in a business combination during 2023. The total assets and total revenues of this company excluded from our assessment represented 0.6% and 2.2%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2023.

Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2023, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [RESERVED]

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Hanhui Sam Sun, an independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

Item 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to all of the directors, officers and employees of us and our subsidiaries, whether they work for us on a full-time, part-time, consultative, or temporary basis. In addition, we expect those who do business with us, such as consultants, suppliers and collaborators, to also adhere to the principles outlined in the code of ethics. Certain provisions of the code of ethics apply specifically to our chief executive officer, chief financial officer, senior finance officer, controller, vice presidents and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1 (No. 333-253910) in connection with our initial public offering in March 2021, which was incorporated by reference thereto in this annual report.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, for the periods indicated. We did not pay any other fees to our principal accountant during the periods except as indicated below.

	For the Year Ended December 31,		
	2022	2023	
	RMB	RMB	US$
		(in thousands)	
Audit fees[1]	21,080	12,500	1,761
All other fees[2]	1,583	354	50

Notes:

(1) "Audit fees" represent the aggregate fees billed or to be billed for each of the fiscal years listed for professional services rendered by our principal accountant for the audit of our annual consolidated financial statements and the review of quarterly financial information, including the audit fees relating to our dual primary listing on the Hong Kong Stock Exchange in 2022.

(2) "All other fees" represent the aggregate fees billed or to be billed for professional services rendered by our principal external auditors other than services reported under "Audit fees."

The policy of our audit committee is to pre-approve all audit and other service provided by PricewaterhouseCoopers Zhong Tian LLP and its affiliates, including audit services, audit-related services, tax services and other services as described above.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On June 10, 2022, our shareholders approved a share repurchase program, pursuant to which we were authorized to repurchase up to US$100 million of our shares over the next 12 months. In May 2023, our board of directors approved an extension of our existing share repurchase plan for another 12 months until June 10, 2024. The repurchases made under the repurchase program were covered by the general unconditional mandate to purchase our own shares approved by shareholders at our annual general meetings held on June 10, 2022 and June 30, 2023, respectively. The following table sets forth a summary of shares repurchase by us and our affiliated purchaser pursuant to our share repurchase program.

Period	Total Number of Class A Ordinary Shares Purchased	Average Price Paid Per Class A Ordinary Shares	Total Number of Class A Ordinary Shares Purchased as Part of the Publicly Announced Plan	Approximate Dollar Value of Class A Ordinary Shares That May Yet Be Purchased Under the Program*
March 1, 2023—March 31, 2023	420,719	2.51	7,452,826	80,906,965
April 1, 2023—April 30, 2023	1,399,731	2.28	8,852,557	77,710,234
May 1, 2023—May 31, 2023	1,688,242	2.06	10,540,799	74,227,264
June 1, 2023—June 30, 2023	2,983,797	2.14	13,524,596	67,842,787
July 1, 2023—July 31, 2023	1,818,825	2.28	15,343,421	63,702,298
August 1, 2023—August 31, 2023	2,953,257	2.17	18,296,678	57,285,250
September 1, 2023—September 30, 2023	2,707,435	2.04	21,004,113	51,770,301
October 1, 2023—October 31, 2023	1,221,033	2.02	22,225,146	49,299,190
November 1, 2023—November 30, 2023	3,526,492	1.99	25,751,638	42,283,833
December 1, 2023—December 31, 2023	5,862,653	1.93	31,614,291	30,957,057
January 1, 2024—January 31, 2024	4,628,399	1.70	36,242,690	23,086,653
February 1, 2024—February 29, 2024	—	—	36,242,690	23,086,653
March 1, 2024—March 31, 2024	126,326	1.37	36,369,016	22,913,006
Total	**29,336,909**	**2.01**	**36,369,016**	**22,913,006**

Item 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

Item 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the New York Stock Exchange, we are subject to the New York Stock Exchange listing standards, which requires listed companies to have, among other things, a majority of their board members to be independent and independent director oversight of executive compensation and nomination of directors. However, New York Stock Exchange rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the New York Stock Exchange listing standards. We have elected to follow our home country practice in lieu of the corporate governance requirements of the New York Stock Exchange that a listed company must have (i) a majority of independent directors and (ii) a compensation committee and a nomination committee composed entirely of independent directors, and with respect to the adoption of our 2022 share incentive plan without the approval of our shareholders. As a result, our shareholders may be afforded less protection than they otherwise would enjoy under New York Stock Exchange corporate governance listing standards applicable to U.S. domestic issuers. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADSs and Class A Ordinary Shares—As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the New York Stock Exchange listing standards."

Other than the requirements discussed above, there are no significant differences between our corporate governance practices and those followed by domestic listed companies as required under the NYSE Listed Company Manual.

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

Item 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

Item 16J. INSIDER TRADING POLICIES

Not applicable.

Item 16K. CYBERSECURITY

Risk Management and Strategy

We have implemented robust processes for assessing, identifying and managing material risks from cybersecurity threats and monitoring the prevention, detection, mitigation and remediation of material cybersecurity incident. We have also integrated cybersecurity risk management into our overall enterprise risk management system.

We have established a systematic information security management framework and set up the Zhihu Cybersecurity and Data Security Committee to provide a framework for information security, with a dynamic and multi-layered cybersecurity defense system to effectively mitigate both internal and external cyber threats. Our information security protection mechanism incorporates pre-event prevention, in-process monitoring and post-event response to ensure that our information security is preventable, manageable and controllable. In the pre-event prevention phase, we incorporate information security protection measures into the development of products and services and continuously strengthens the preventive and protective measures for information security through the "security review" methods such as login authentication schemes, permission granting schemes, two-factor authentication, personal information collection scenarios, whether to encrypt the transmission and storage of personal information, whether to mask sensitive data for display, and whether to add watermarks. In the in-process monitoring phase, we established threat intelligence, traffic analysis and security operation centers to monitor and analyze information security threats in real time and promptly warn of security risks. In the post-event response phase, we put in place security orchestration, automation and response handling capabilities as well as manual handling processes to reduce the probability of security incidents by automatically or manually handling identified risks. Our approach to managing cybersecurity risks and safeguarding sensitive data is multi-faceted, involving technological safeguards, procedural protocols, a rigorous program of surveillance on our corporate network, regular internal and external evaluations of our security measures, a solid incident response framework, and cybersecurity training sessions for our employees. Our cybersecurity department is actively engaged in continuous monitoring of our websites and apps to ensure prompt identification and response to potential issues, including emerging cybersecurity threats.

As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

Governance

Our corporate governance committee is responsible for overseeing our cybersecurity risk management. Our corporate governance committee shall (i) maintain oversight of the disclosure related to cybersecurity matters in current reports or periodic reports of our company, (ii) review updates to the status of any material cybersecurity incidents or material risks from cybersecurity threats to our company, and the relevant disclosure issues, if any, presented by our chief executive officer, chief financial officer and cybersecurity officer on a quarterly basis, and (iii) review disclosure concerning cybersecurity matters in our annual report on Form 20-F presented by our chief executive officer, chief financial officer and cybersecurity officer.

At management level, our chief executive officer, chief financial officer and cybersecurity officer are responsible for assessing, identifying and managing material risks from cybersecurity threats to our company and monitoring the prevention, detection, mitigation and remediation of material cybersecurity incident. These officers report to our corporate governance committee on (i) a quarterly basis on updates to the status of any material cybersecurity incidents or material risks from cybersecurity threats to our company, and the relevant disclosure issues, if any, and (ii) on disclosure concerning cybersecurity matters in our annual report on Form 20-F.

PART III

Item 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

Item 18. FINANCIAL STATEMENTS

The consolidated financial statements of Zhihu Inc. are included at the end of this annual report.

Item 19. EXHIBITS

Exhibit Number	Document
1.1	Eleventh Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.1 to the current report on Form 6-K (File No. 001-40253) furnished with the Securities and Exchange Commission on June 13, 2022)
2.1	Registrant's Specimen American Depositary Receipt (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1 (File No. 333-253910), as amended, initially filed with the Securities and Exchange Commission on March 5, 2021)
2.2	Registrant's Specimen Certificate for Class A Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-253910), as amended, initially filed with the Securities and Exchange Commission on March 5, 2021)
2.3	Deposit Agreement, among the Registrant, JPMorgan Chase Bank, N.A., as depositary, and holders and beneficial owners of the American Depositary Receipts issued thereunder dated March 25, 2021 (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-256178) filed with the Securities and Exchange Commission on May 17, 2021)
2.4	Sixth Amended and Restated Shareholders' Agreement between the Registrant and other parties thereto dated August 7, 2019 (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 (File No. 333-253910), as amended, initially filed with the Securities and Exchange Commission on March 5, 2021)
2.5*	Description of Securities
4.1	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-253910), as amended, initially filed with the Securities and Exchange Commission on March 5, 2021)
4.2	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-253910), as amended, initially filed with the Securities and Exchange Commission on March 5, 2021)
4.3	English translation of the Exclusive Business Cooperation Agreement between Zhizhe Sihai and Zhizhe Tianxia dated December 21, 2021 (incorporated herein by reference to Exhibit 4.4 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.4	English translation of executed form of Shareholders' Rights Entrustment Agreement between Zhizhe Tianxia, its shareholders, and Zhizhe Sihai dated December 21, 2021 (incorporated herein by reference to Exhibit 4.5 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.5	English translation of Share Pledge Agreement between Zhizhe Sihai, Zhizhe Tianxia, and its shareholders dated December 21, 2021 (incorporated herein by reference to Exhibit 4.6 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.6	English translation of Exclusive Option Agreement between Zhizhe Sihai, Zhizhe Tianxia, and its shareholders dated December 21, 2021 (incorporated herein by reference to Exhibit 4.7 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.7	English translation of Exclusive Technology Development, Consultancy, and Services Agreement between Shanghai Zhishi and Shanghai Pinzhi dated September 7, 2021 (incorporated herein by reference to Exhibit 4.8 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.8	English translation of Power of Attorney issued by the shareholders of Shanghai Pinzhi dated September 7, 2021 (incorporated herein by reference to Exhibit 4.9 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)

4.9	English translation of Share Pledge Agreement between Shanghai Zhishi, Shanghai Pinzhi, and its shareholders dated September 7, 2021 (incorporated herein by reference to Exhibit 4.10 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.10	English translation of Exclusive Option Agreement between Shanghai Zhishi, Shanghai Pinzhi, and its shareholders dated September 7, 2021 (incorporated herein by reference to Exhibit 4.11 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.11	English translation of Exclusive Technology Development, Consultancy, and Services Agreement between Shanghai Paya and Shanghai Biban dated November 9, 2021 (incorporated herein by reference to Exhibit 4.12 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.12	English translation of Power of Attorney issued by the shareholders of Shanghai Biban dated November 9, 2021 (incorporated herein by reference to Exhibit 4.13 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.13	English translation of Share Pledge Agreement between Shanghai Paya, Shanghai Biban, and its shareholders dated November 9, 2021 (incorporated herein by reference to Exhibit 4.14 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.14	English translation of Exclusive Option Agreement between Shanghai Paya, Shanghai Biban, and its shareholders dated November 9, 2021 (incorporated herein by reference to Exhibit 4.15 to the annual report on Form 20-F (File No. 001-40253) filed with the Securities and Exchange Commission on April 8, 2022)
4.15	2022 Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form S-8 (File No. 333-265451) filed with the Securities and Exchange Commission on June 7, 2022)
4.16*	English translation of the Exclusive Business Cooperation Agreement between Wuhan Bofeng and Wuhan Xinyue dated July 31, 2023
4.17*	English translation of executed form of Shareholders' Rights Entrustment Agreement between Wuhan Xinyue, its shareholders, and Wuhan Bofeng dated July 31, 2023
4.18*	English translation of Share Pledge Agreement between Wuhan Bofeng, Wuhan Xinyue, and its shareholders dated July 31, 2023
4.19*	English translation of Exclusive Option Agreement between Wuhan Bofeng, Wuhan Xinyue, and its shareholders dated July 31, 2023
8.1*	Principal Subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1, as amended (File No. 333-253910), initially filed with the Securities and Exchange Commission on March 5, 2021)
12.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder (Hong Kong) LLP
15.2*	Consent of Jingtian & Gongcheng
15.3*	Consent of PricewaterhouseCoopers Zhong Tian LLP
97.1*	Clawback Policy of the Registrant
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Scheme Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

Notes:

* Filed with this annual report on Form 20-F.

** Furnished with this annual report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Zhihu Inc.

By: /s/ Yuan Zhou
Name: Yuan Zhou
Title: Chairman and Chief Executive Officer

Date: April 26, 2024

Zhihu Inc.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Zhihu Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Zhihu Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, of changes in shareholders' (deficit)/equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Annual Report on Internal Control over Financial Reporting, management has excluded Xi'an Zhifeng Network Technology Co., Ltd. (referred to as "Xi'an Zhifeng") from its assessment of internal control over financial reporting as of December 31, 2023 because it was acquired by the Company in a business combination during 2023. We have also excluded Xi'an Zhifeng from our audit of internal control over financial reporting. Xi'an Zhifeng is a subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 0.6% and 2.2%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2023.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Purchase price allocation for business combination

As described in Notes 2(ac) and 22 to the consolidated financial statements, the Company acquired 51% equity interests of Xi'an Zhifeng at a contingent aggregate purchase price in April 2023, which was initially accounted for at fair value of RMB104.3 million. As of the acquisition date, the purchase price was allocated to the identified assets acquired and liabilities assumed, which were recorded at fair value, including intangible assets of RMB59.0 million and goodwill of RMB64.7 million. Management applied significant judgments in the determination of fair value of the acquired intangible assets, the appropriate valuation models used in support of the purchase price allocation and the application of significant assumptions in the models relating to forecasted revenue growth rates and discount rate used.

The principal considerations for our determination that performing procedures relating to purchase price allocation for business combination is a critical audit matter are due to the significant judgments by management when developing the estimates and the high degree of auditor judgment and subjectivity in performing procedures relating to the valuation of the acquired intangible assets. This in turn led to significant audit effort in performing procedures and evaluating management's significant judgments and assumptions related to the purchase price allocation. In addition, the audit effort involved the use of professionals with specialized skills and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the purchase price allocation, including controls over development of the estimates related to management's valuation of acquired intangible assets. These procedures also included, among others, testing management's process to determine the fair value of acquired intangible assets and purchase price allocation. The testing of management's process included (i) reviewing the purchase agreement; (ii) assessing the competence, capability and objectivity of the external valuation expert engaged by management; (iii) evaluating the appropriateness of the valuation methods used; (iv) testing the completeness, accuracy and reliability of underlying data used in the valuation; (v) evaluating the reasonableness of the significant assumptions, which involved considering the past performance of Xi'an Zhifeng and industry data; and (vi) testing the mathematical accuracy of the calculation of fair value of intangible assets in the valuation model. Professionals with specialized skills and knowledge were used to assist in the evaluation of the appropriateness of the valuation methods used by management and reasonableness of certain significant assumptions made by management with regard to the discount rate used when estimating the fair value of acquired intangible assets as of the acquisition date.

Allowance for expected credit losses on trade receivables

As described in Note 2(j) to the consolidated financial statements, as of December 31, 2023, the balance of gross trade receivables was RMB787.3 million, against which an allowance for expected credit losses of RMB122.7 million was made. The allowance for credit losses was made based on an estimate of the current expected credit losses to be incurred over the expected life of these receivables. Management applied significant judgments in the determination of models and the application of significant assumptions relating to portfolio groups of trade receivables and estimated credit loss rates.

The principal considerations for our determination that performing procedures relating to the allowance for expected credit losses on trade receivables is a critical audit matter are the significant judgments by management when developing the current expected credit losses to be incurred over the expected life of these receivables, which in turn led to a high degree of auditor judgment, subjectivity and significant audit effort in performing procedures and evaluating management's significant judgments and assumptions. In addition, the audit effort involved the use of professionals with specialized skills and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the allowance for expected credit losses on trade receivables. These procedures also included evaluating the outcome of the prior period assessment of the provision for loss allowance on trade receivables, to assess the effectiveness of management's estimation process by comparing the expected credit losses in the prior period to the actual collection performance of debtors in the current year. These procedures also included, among others, the involvement of professionals with specialized skills and knowledge to assist in testing management's process to estimate the allowance for expected credit losses on trade receivables. The testing of management's process included (i) assessing the appropriateness of the model and methodology used; (ii) assessing the reasonableness of portfolio groups of the receivables used by management by evaluating the heterogeneity among different portfolio groups and the homogeneity within the same portfolio groups; (iii) assessing the reasonableness of estimated credit loss rates used by management by evaluating the historical default rates and assessing the reasonableness and application of forward-looking information by comparing with publicly available forecasts from third-party institutions; and (iv) testing the accuracy, on a sample basis, of the key data inputs such as the ending balance and aging schedule of trade receivables, and testing the mathematical accuracy of the calculation of the current expected credit losses.

Goodwill impairment assessments

As described in Note 2(m) to the consolidated financial statements, the Company has a single reporting unit and the goodwill balance was RMB191.1 million as of December 31, 2023. Management conducts an impairment test as of December 31 annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill might be impaired. The quantitative impairment test involves comparing the fair value of the reporting unit to its carrying value. In addition to its annual test as of December 31, 2023, management performed a goodwill impairment test as of June 30, 2023, as a result of the changing market conditions and fluctuations in share price. Management determined the estimated fair value of the reporting unit exceeded its carrying value and that goodwill was not impaired as of June 30, 2023 and December 31, 2023. The Company's reporting unit estimated fair value was determined by management using the income approach. Management's estimate of fair value for the reporting unit included significant judgments and assumptions relating to revenue growth rates, profit margin, and the discount rate.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessments is a critical audit matter are the significant judgments by management when developing the fair value estimate of the reporting unit, which in turn led to a high degree of auditor judgment, subjectivity and significant audit effort in performing procedures and evaluating management's significant judgments and assumptions related to revenue growth rates, profit margin and the discount rate. In addition, the audit effort involved the use of professionals with specialized skills and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessments, including controls over the valuation of the reporting unit. These procedures also included, among others (i) testing management's process for determining the fair value estimate of the reporting unit; (ii) assessing the competence, capability and objectivity of the external valuation expert engaged by the management; (iii) evaluating the appropriateness of the income approach used by management; (iv) testing the completeness and accuracy of underlying data used in the income approach; (v) evaluating the reasonableness of the significant assumptions used by management related to revenue growth rates, profit margin and the discount rate, and (vi) testing the mathematical accuracy of the calculation of fair value of the reporting unit in the valuation model. Evaluating management's assumptions related to revenue growth rates and profit margin involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit; (ii) the consistency with external market and industry data; and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skills and knowledge were used to assist in evaluating (i) the appropriateness of the valuation model and (ii) the reasonableness of the discount rate assumption.

/s/PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 26, 2024

We have served as the Company's auditor since 2017.

Zhihu Inc.

CONSOLIDATED BALANCE SHEETS

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

	As of December 31,		
	2022	2023	2023
	RMB	RMB	US$
ASSETS			
Current assets:			
Cash and cash equivalents	4,525,852	2,106,639	296,714
Term deposits	948,390	1,586,469	223,449
Short-term investments	787,259	1,769,822	249,274
Trade receivables	834,251	664,615	93,609
Amounts due from related parties	24,798	18,319	2,580
Prepayments and other current assets	199,249	232,016	32,679
Total current assets	**7,319,799**	**6,377,880**	**898,305**
Non-current assets:			
Property and equipment, net	7,290	10,849	1,528
Intangible assets, net	80,237	122,645	17,274
Goodwill	126,344	191,077	26,913
Long-term investments, net	—	44,621	6,285
Right-of-use assets	100,119	40,211	5,664
Other non-current assets	22,450	7,989	1,125
Total non-current assets	**336,440**	**417,392**	**58,789**
Total assets	**7,656,239**	**6,795,272**	**957,094**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities (including amounts of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiaries of RMB512,496 and RMB568,411 as of December 31, 2022 and 2023, respectively)			
Accounts payable and accrued liabilities	916,112	1,038,531	146,274
Salary and welfare payables	283,546	342,125	48,187
Taxes payable	25,975	21,394	3,013
Contract liabilities	355,626	303,574	42,758
Amounts due to related parties	24,861	26,032	3,667
Short-term lease liabilities	53,190	42,089	5,929
Other current liabilities	165,531	171,743	24,189
Total current liabilities	**1,824,841**	**1,945,488**	**274,017**
Non-current liabilities (including amounts of the consolidated VIEs and their subsidiaries without recourse to the primary beneficiaries of RMB41,453 and RMB109,290 as of December 31, 2022 and 2023, respectively)			
Long-term lease liabilities	43,367	3,642	513
Deferred tax liabilities	11,630	22,574	3,179
Other non-current liabilities	82,133	121,958	17,177
Total non-current liabilities	**137,130**	**148,174**	**20,869**
Total liabilities	**1,961,971**	**2,093,662**	**294,886**
Commitments and contingencies (See Note 17)			
Shareholders' equity:			
Class A Ordinary shares (US$0.000125 par value, 1,550,000,000 and 1,550,000,000 shares authorized as of December 31, 2022 and 2023, respectively; 297,419,878 and 287,355,642 shares issued and outstanding as of December 31, 2022 and 2023, respectively)	234	227	32
Class B Ordinary shares (US$0.000125 par value, 50,000,000 and 50,000,000 shares authorized as of December 31, 2022 and 2023, respectively; 18,940,652 and 18,145,605 shares issued and outstanding as of December 31, 2022 and 2023, respectively)	15	14	2
Treasury stock	(33,814)	(161,637)	(22,766)
Additional paid-in capital	13,615,042	13,487,371	1,899,657
Statutory reserves	—	2,680	378
Accumulated other comprehensive loss	(65,808)	(20,551)	(2,895)
Accumulated deficit	(7,861,973)	(8,708,294)	(1,226,538)
Total Zhihu Inc.'s shareholders' equity	**5,653,696**	**4,599,810**	**647,870**
Noncontrolling interests	40,572	101,800	14,338
Total shareholders' equity	**5,694,268**	**4,701,610**	**662,208**
Total liabilities and shareholders' equity	**7,656,239**	**6,795,272**	**957,094**

The accompanying notes are an integral part of these consolidated financial statements.

Zhihu Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

	For the Year Ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US$
Revenues (including transactions with related parties of RMB38,471, RMB40,520 and RMB35,147 for the years ended December 31, 2021, 2022 and 2023, respectively)	2,959,324	3,604,919	4,198,889	591,401
Cost of revenues (including transactions with related parties of RMB135,058, RMB149,547 and RMB37,074 for the years ended December 31, 2021, 2022 and 2023, respectively)	(1,405,423)	(1,796,867)	(1,903,041)	(268,038)
Gross profit	**1,553,901**	**1,808,052**	**2,295,848**	**323,363**
Operating expenses:				
Selling and marketing expenses (including transactions with related parties of RMB120,315, RMB2,541 and RMB2,585 for the years ended December 31, 2021, 2022 and 2023, respectively)	(1,634,733)	(2,026,468)	(2,048,090)	(288,467)
Research and development expenses	(619,585)	(763,362)	(901,452)	(126,967)
General and administrative expenses	(690,292)	(621,973)	(418,531)	(58,949)
Total operating expenses	**(2,944,610)**	**(3,411,803)**	**(3,368,073)**	**(474,383)**
Loss from operations	**(1,390,709)**	**(1,603,751)**	**(1,072,225)**	**(151,020)**
Other income/(expenses):				
Investment income	59,177	70,380	41,695	5,873
Interest income	31,305	68,104	158,671	22,348
Fair value change of financial instruments	27,846	(176,685)	(5,170)	(728)
Exchange (losses)/gains	(16,665)	71,749	97	14
Others, net	(4,391)	5,983	49,236	6,935
Loss before income tax	**(1,293,437)**	**(1,564,220)**	**(827,696)**	**(116,578)**
Income tax expense	(5,443)	(14,183)	(11,832)	(1,667)
Net loss	**(1,298,880)**	**(1,578,403)**	**(839,528)**	**(118,245)**
Net income attributable to noncontrolling interests	—	(2,754)	(4,113)	(579)
Accretions of convertible redeemable preferred shares to redemption value	(170,585)	—	—	—
Net loss attributable to Zhihu Inc.'s shareholders	**(1,469,465)**	**(1,581,157)**	**(843,641)**	**(118,824)**
Net loss	**(1,298,880)**	**(1,578,403)**	**(839,528)**	**(118,245)**
Other comprehensive (loss)/income:				
Foreign currency translation adjustments	(143,190)	273,310	45,257	6,374
Total other comprehensive (loss)/income	**(143,190)**	**273,310**	**45,257**	**6,374**
Total comprehensive loss	**(1,442,070)**	**(1,305,093)**	**(794,271)**	**(111,871)**
Net income attributable to noncontrolling interests	—	(2,754)	(4,113)	(579)
Accretions of convertible redeemable preferred shares to redemption value	(170,585)	—	—	—
Comprehensive loss attributable to Zhihu Inc.'s shareholders	**(1,612,655)**	**(1,307,847)**	**(798,384)**	**(112,450)**
Net loss per share, basic and diluted	(6.12)	(5.19)	(2.82)	(0.40)
Weighted average number of ordinary shares, basic and diluted	240,174,108	304,836,318	299,132,894	299,132,894
Share-based compensation expenses included in:				
Cost of revenues	18,973	11,861	9,751	1,373
Selling and marketing expenses	31,947	24,334	13,882	1,955
Research and development expenses	57,595	62,503	49,847	7,021
General and administrative expenses	439,950	275,197	91,176	12,842

The accompanying notes are an integral part of these consolidated financial statements

Zhihu Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY

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

	Class A ordinary shares		Class B ordinary shares		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Noncontrolling interests	Total shareholders' (deficit)/ equity
	Shares	Amount	Shares	Amount					
		RMB		RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2020	**40,080,478**	**31**	**19,227,592**	**15**	**—**	**(195,928)**	**(4,948,593)**	**—**	**(5,144,475)**
Net loss	—	—	—	—	—	—	(1,298,880)	—	(1,298,880)
Share-based compensation expenses	—	—	—	—	540,970	—	—	7,495	548,465
Foreign currency translation adjustment	—	—	—	—	—	(143,190)	—	—	(143,190)
Accretions of convertible redeemable preferred shares to redemption value	—	—	—	—	(137,242)	—	(33,343)	—	(170,585)
Proceeds/receivables in relation to share options	—	—	—	—	31,588	—	—	—	31,588
Issuance of Class A ordinary shares upon the completion of IPO, net of issuance cost	40,787,844	33	—	—	4,853,260	—	—	—	4,853,293
Conversion of convertible redeemable preferred shares into Class A shares upon the completion of IPO	180,336,722	148	—	—	8,061,785	—	—	—	8,061,933
Exercise of share options and restricted shares	16,528,770	14	—	—	(14)	—	—	—	—
Balance as of December 31, 2021	**277,733,814**	**226**	**19,227,592**	**15**	**13,350,347**	**(339,118)**	**(6,280,816)**	**7,495**	**6,738,149**

Zhihu Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY (Continued)

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

	Class A ordinary shares		Class B ordinary shares		Treasury stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Noncontrolling interests	Total shareholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount					
		RMB		RMB		RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2021	**277,733,814**	**226**	**19,227,592**	**15**	**—**	**—**	**13,350,347**	**(339,118)**	**(6,280,816)**	**7,495**	**6,738,149**
Net loss	—	—	—	—	—	—	—	—	(1,581,157)	2,754	(1,578,403)
Share-based compensation expenses	—	—	—	—	—	—	350,810	—	—	23,085	373,895
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	7,238	7,238
Foreign currency translation adjustment	—	—	—	—	—	—	—	273,310	—	—	273,310
Repurchase of shares	—	—	—	—	(7,032,108)	(127,962)	—	—	—	—	(127,962)
Cancellation of shares	(4,866,021)	(4)	—	—	4,866,021	94,148	(97,508)	—	—	—	(3,364)
Proceeds/receivables in relation to share options	—	—	—	—	—	—	11,405	—	—	—	11,405
Exercise of share options and restricted shares	14,994,777	12	—	—	—	—	(12)	—	—	—	—
Conversion of ordinary shares	286,940	—	(286,940)	—	—	—	—	—	—	—	—
Balance as of December 31, 2022	**288,149,510**	**234**	**18,940,652**	**15**	**(2,166,087)**	**(33,814)**	**13,615,042**	**(65,808)**	**(7,861,973)**	**40,572**	**5,694,268**

Zhihu Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY (Continued)

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

	Class A ordinary shares		Class B ordinary shares		Treasury stock		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive loss	Accumulated deficit	Non controlling interests	Total shareholders' equity
	Shares	Amount	Shares	Amount	Shares	Amount						
		RMB		RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2022	**288,149,510**	**234**	**18,940,652**	**15**	**(2,166,087)**	**(33,814)**	**13,615,042**	**—**	**(65,808)**	**(7,861,973)**	**40,572**	**5,694,268**
Net loss	—	—	—	—	—	—	—	—	—	(843,641)	4,113	(839,528)
Share-based compensation expenses	—	—	—	—	—	—	115,358	—	—	—	49,298	164,656
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	7,327	7,327
Capital contribution from noncontrolling interests											490	490
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	45,257	—	—	45,257
Repurchase of shares	—	—	—	—	(24,582,185)	(369,569)	—	—	—	—	—	(369,569)
Cancellation of shares	(13,482,680)	(12)	—	—	13,482,680	241,746	(248,108)	—	—	—	—	(6,374)
Exercise of share options and restricted shares	4,885,428	4	—	—	—	—	5,079	—	—	—	—	5,083
Conversion of ordinary shares	795,047	1	(795,047)	(1)	—	—	—	—	—	—	—	—
Appropriations to statutory reserves	—	—	—	—	—	—	—	2,680	—	(2,680)	—	—
Balance as of December 31, 2023	**280,347,305**	**227**	**18,145,605**	**14**	**(13,265,592)**	**(161,637)**	**13,487,371**	**2,680**	**(20,551)**	**(8,708,294)**	**101,800**	**4,701,610**

The accompanying notes are an integral part of these consolidated financial statements.

Zhihu Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	For the Year Ended December 31,			
	2021	2022	2023	2023
	RMB	RMB	RMB	US$
Cash flows from operating activities:				
Net loss	(1,298,880)	(1,578,403)	(839,528)	(118,245)
Depreciation of property and equipment and amortization of intangible assets	21,451	25,210	24,892	3,506
Share-based compensation expenses	548,465	373,895	164,656	23,191
Accrued investment income of short-term investments	(6,366)	(31,537)	(37,514)	(5,284)
Deferred income tax	(1,095)	(2,400)	(3,806)	(536)
Provision of allowance for expected credit loss	32,633	34,457	29,916	4,214
Loss on disposal of property and equipment	—	77	402	57
Impairment of long-term investments	—	20,894	—	—
Fair value change of financial instruments	(27,846)	176,685	5,170	728
Changes in operating assets and liabilities:				
Trade receivables	(374,676)	(132,839)	64,411	9,072
Prepayments and other current assets	(134,357)	87,134	(41,724)	(5,877)
Right-of-use assets	(123,271)	26,393	59,908	8,438
Other non-current assets	(7,681)	382	13,061	1,840
Accounts payable and accrued liabilities	524,245	(15,870)	220,243	31,021
Contract liabilities	79,404	78,219	(87,060)	(12,262)
Amounts due from/to related parties	33,203	(65,287)	7,442	1,048
Taxes payable	59,017	(40,849)	(4,692)	(661)
Salary and welfare payables	81,422	(36,542)	56,869	8,010
Other current liabilities	34,333	(8,472)	2,653	374
Lease liabilities	119,765	(26,101)	(50,826)	(7,159)
Net cash used in operating activities	(440,234)	(1,114,954)	(415,527)	(58,525)
Cash flows from investing activities:				
Cash paid for long-term investments	(19,380)	—	(30,000)	(4,225)
Purchases of short-term investments	(6,418,000)	(10,546,256)	(7,533,252)	(1,061,038)
Proceeds of maturities of short-term investments	5,234,592	12,046,130	6,584,256	927,373
Purchases of term deposits	(4,946,963)	(3,571,690)	(2,677,594)	(377,131)
Proceeds from withdrawal of term deposits	3,018,396	5,768,675	2,047,915	288,443
Purchase of intangible assets	—	—	(381)	(53)
Purchases of property and equipment	(7,440)	(714)	(8,489)	(1,196)
Proceeds from/(payment for) disposal of property and equipment	—	123	(5)	(1)
Acquisition of subsidiaries, net of cash acquired	(33,180)	(60,608)	(63,590)	(8,956)
Proceeds from/(payment of) foreign exchange options	35,472	(145,193)	—	—
Net cash (used in)/ provided by investing activities	(3,136,503)	3,490,467	(1,681,140)	(236,784)
Cash flows from financing activities:				
Proceeds from issuance of Class A ordinary shares upon the completion of IPO, net of issuance cost	4,853,293	—	—	—
Proceeds received from employees in relation to share options	22,954	19,612	4,513	636
Payments for repurchase of shares	—	(127,962)	(369,569)	(52,053)
Net cash provided by/(used in) financing activities	4,876,247	(108,350)	(365,056)	(51,417)
Effect of exchange rate changes on cash and cash equivalents	(100,169)	101,528	42,510	5,987
Net increase/ (decrease) in cash and cash equivalents	1,199,341	2,368,691	(2,419,213)	(340,739)
Cash and cash equivalents at beginning of the year	957,820	2,157,161	4,525,852	637,453
Cash and cash equivalents at end of the year	2,157,161	4,525,852	2,106,639	296,714
Supplemental disclosures of cash flows information:				
Cash paid for income taxes, net of tax refund	3,499	16,917	11,143	1,569
Supplemental schedule of non-cash investing and financing activities:				
Accretions of convertible redeemable preferred shares to redemption value	170,585	—	—	—
Unpaid consideration for acquisition (including contingent consideration)	79,636	22,858	78,362	11,037
Unpaid consideration for long-term investments	—	—	14,621	2,059

The accompanying notes are an integral part of these consolidated financial statements.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Operations and Principal Activities

(a) Principal activities

Zhihu Inc., (the "Company" or "Zhihu"), previously known as Zhihu Technology Limited, was incorporated in the Cayman Islands on May 17, 2011 under the Cayman Islands Companies Law as an exempted company with limited liability. The Company, through its consolidated subsidiaries and variable interest entities ("VIEs") (collectively referred to as the "Group"), is primarily engaged in the operation of one online content community which monetizes through paid membership services, marketing services and vocational training in the People's Republic of China (the "PRC" or "China"). The Company completed its initial public offering (the "IPO") on the New York Stock Exchange in the United States of America in March 2021, and successfully listed its Class A ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited in April 2022.

As of December 31, 2023, the Company's major subsidiaries, VIEs and VIE's subsidiaries are as follows:

	Place and year of Incorporation/acquisition	Principal activities
Major Subsidiaries		
Zhihu Technology (HK) Limited	Hong Kong, 2011	Investment holding
Zhizhe Sihai (Beijing) Technology Co., Ltd.	PRC, 2012	Technology, business support and consulting service
Beijing Zhihu Network Technology Co., Ltd.	PRC, 2018	Information and marketing service
Shanghai Zhishi Technology Co., Ltd.	PRC, 2021	Technology and consulting service
Shanghai Paya Information Technology Co., Ltd.	PRC, 2021	Consulting service
Zhizhe Information Technology Services Chengdu Co., Ltd.	PRC, 2016	Technology, business support in the PRC
Chengdu Zhizhewanjuan Technology Co., Ltd.	PRC, 2017	Information transmission, software and information technology service in the PRC
Wuhan Bofeng Technology Co., Ltd.	PRC, 2023	Technology and consulting service
VIEs		
Beijing Zhizhe Tianxia Technology Co., Ltd.	PRC, 2011	Internet service
Shanghai Pinzhi Education Technology Co., Ltd.	PRC, 2021	Vocational training
Shanghai Biban Network Technology Co., Ltd.	PRC, 2021	Vocational training
Wuhan Xinyue Network Technology Co., Ltd.	PRC, 2023	Information and consulting service
VIE's subsidiaries		
Beijing Leimeng Shengtong Cultural Development Co., Ltd.	PRC, 2017	Audio-Visual Permit holder in the PRC
Wuhan Zhibo Wenshuo Technology Co., Ltd.	PRC, 2023	Internet service

(b) VIE arrangements between the Company's PRC subsidiaries

The Company, through the Zhizhe Sihai (Beijing) Technology Co., Ltd., Shanghai Zhishi Technology Co., Ltd, Shanghai Paya Information Technology Co., Ltd. and Wuhan Bofeng Technology Co., Ltd. ("WFOEs"), entered into the following contractual arrangements with the Beijing Zhizhe Tianxia Technology Co., Ltd., Shanghai Pinzhi Education Technology Co., Ltd, Shanghai Biban Network Technology Co., Ltd and Wuhan Xinyue Network Technology Co., Ltd. ("VIEs") and their shareholders, respectively, that enabled the Company to (1) have power to direct the activities that most significantly affect the economic performance of the VIEs, and (2) bear the risks and enjoy the rewards normally associated with ownership of the VIEs. Accordingly, the WFOEs have a controlling financial interest in the VIEs and are considered the primary beneficiary of the VIEs. As such, and the financial results of operations, assets and liabilities of the VIEs are consolidated pursuant to U.S. GAAP (ASC 810) in the Group's consolidated financial statements.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Operations and Principal Activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

The following is a summary of the contractual agreements entered into by and among the WFOEs, the VIEs and their shareholders:

i) Contracts that give the Company effective control of the VIEs

Exclusive Share Option Agreements. Pursuant to the exclusive share option agreements among the WFOEs, the VIEs and the VIEs' shareholders, each of the shareholders of the relevant VIE irrevocably granted the relevant WFOE an exclusive option to purchase, or have its designated person to purchase, at its discretion, to the extent permitted under PRC law, all or part of his or her equity interests in the relevant VIE, and the purchase price shall be RMB10 or the price permitted by applicable the PRC law. The shareholders of the VIEs undertake that, without the prior written consent of the WFOEs, they will not, among other things, (i) change VIEs' registered capital, (ii) merge VIEs with any other entity, (iii) sell, transfer, mortgage, or dispose of VIEs' assets, or (iv) amend VIEs' articles of association. The exclusive share option agreements will remain effective unless the WFOEs terminate these agreements with written request or other circumstances mentioned therein take place. The agreements amongst the VIEs, the relevant subsidiaries and VIE's shareholders that provide the Company effective control over these VIEs contain substantially the same terms, except that contract termination date and materiality threshold for the corporate actions that require WFOEs' consent vary.

Shareholders Voting Proxy Agreements. Pursuant to the shareholders voting proxy agreement, each shareholder of the relevant VIE irrevocably authorized the relevant WFOE to act on his or her respective behalf as proxy attorney, to exercise the voting and management rights of shareholders concerning all the equity interests held by each of them in the VIEs, including but not limited to voting rights, rights of operation and management, and all other rights as shareholders under the articles of association of the VIEs. The agreements amongst the VIEs, the relevant subsidiaries and VIEs' shareholders that provide the Company effective control over these VIEs contain substantially the same terms, except that contract termination date varies.

Equity Interest Pledge Agreements. Pursuant to the equity interest pledge agreements, the shareholders pledge 100% of their equity interests in the VIEs to the WFOEs to guarantee the performance by the VIEs and their shareholders of their obligations under the exclusive business cooperation agreement, the exclusive share option agreements and the shareholders voting proxy agreement. In the event of a breach by the VIEs or any shareholder of contractual obligations under the equity interest pledge agreement, the WFOEs, as pledgee, will have the right to dispose of the pledged equity interests in the VIEs and will have priority in receiving the proceeds from such disposal. The shareholders of the VIEs agree that, without the WFOEs' prior written consent, during the term of the equity interest pledge agreements, they will not dispose of, create, or allow any encumbrance on the pledged equity interests. The agreements amongst the VIEs, the relevant subsidiaries and VIEs' shareholders that provide the Company effective control over these VIEs contain substantially the same terms, except that contract termination date varies.

Spousal Consent Letters. Spouses of shareholders of the VIEs have each signed a spousal consent letter. Each signing spouse of the relevant shareholder unconditionally and irrevocably agreed that the equity interests in the VIEs held by and registered in the name of such shareholder be disposed of in accordance with the equity interest pledge agreements, the exclusive share option agreements, the shareholders voting proxy agreements, and the exclusive business cooperation agreements, and that such shareholder may perform, amend or terminate such agreements without any additional consent of his or her spouse. Additionally, the signing spouses agreed not to assert any rights over the equity interests in the VIEs held by the shareholders. In addition, in the event that the signing spouses obtain any equity interests in the VIEs held by the shareholders for any reason, they agree to be bound by and sign any legal documents substantially similar to the contractual arrangements described above, as may be amended from time to time.

ii) Contracts that enable the Company to receive substantially all of the economic benefits from the VIEs

Exclusive business cooperation agreements. Each VIE has entered into an exclusive business cooperation agreement with the relevant WFOE, pursuant to which the WFOEs provides exclusive services to the VIEs. In exchange, the VIEs pay a service fee to the WFOEs, the amount of which shall be determined, to the extent permitted by applicable PRC laws as proposed by the WFOEs, resulting in a transfer of substantially all of the profits from the VIEs to the WFOEs. The agreements amongst the VIEs, the relevant subsidiaries and VIE's shareholders that provide the Company effective control over these VIEs contain substantially the same terms, except that contract termination date varies.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Operations and Principal Activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

iii) Risks in relation to VIE structure

Part of the Group's business is conducted through the VIEs of the Group, of which the Company is the ultimate primary beneficiary. In the opinion of the management, the contractual arrangements with the VIEs and the nominee shareholders are in compliance with PRC laws and regulations and are legally binding and enforceable. The nominee shareholders indicate they will not act contrary to the contractual arrangements. However, there are substantial uncertainties regarding the interpretation and application of the PRC laws and regulations including those that govern the contractual arrangements, which could limit the Group's ability to enforce these contractual arrangements and if the nominee shareholders of the VIEs were to reduce their interests in the Group, their interests may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the contractual arrangements.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law, which took effect on January 1, 2020. Along with the Foreign Investment Law, the Implementing Rules of Foreign Investment Law promulgated by the State Council and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law promulgated by the Supreme People's Court became effective on January 1, 2020. However, uncertainties still exist in relation to further application and improvement of the Foreign Investment Law and its current implementation and interpretation rules. The Foreign Investment Law and its current implementation and interpretation rules do not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign-invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under the definition of "foreign investment" that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations, or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations, or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that the Group's control over the variable interest entities through contractual arrangements will not be deemed as a foreign investment in the future. Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, the Group may face substantial uncertainties as to whether the Group can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect the Group's current corporate structure and business operations.

If the Group is found in violation of any PRC laws or regulations or if the contractual arrangements among WFOEs, VIEs and their nominee shareholders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the contractual arrangements;
- revoke the Group's business and operating licenses;
- require the Group to discontinue or restrict operations;
- restrict the Group's right to collect revenue;
- restrict or prohibit the Group's use of the proceeds from the public offering to fund the Group's business and operations in China;
- shut down all or part of the Group's websites, apps or services;

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Operations and Principal Activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

iii) Risks in relation to VIE structure (Continued)

- levy fines on the Group or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require the Group to restructure the operations in such a way as to compel the Group to establish a new enterprise, re-apply for the necessary licenses or relocate the Group's businesses, staff, and assets;
- impose additional conditions or requirements with which the Group may not be able to comply; or
- take other regulatory or enforcement actions that could be harmful to the Group's business.

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's businesses. In addition, if the imposition of any of these penalties causes the Group to lose the right to direct the activities of the VIE (through its equity interests in its subsidiaries) or the right to receive their economic benefits, the Group will no longer be able to consolidate the VIEs and their subsidiaries, if any. In the opinion of management, each agreement of the contractual arrangements between the WFOEs, the VIEs, and their equity holders governed by PRC law is valid, binding, and enforceable in accordance with their terms, subject to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization, and similar laws affecting creditors' rights generally, the discretion of the government authorities in exercising their authority in connection with the interpretation and implementation thereof, and the application of the PRC laws and policies thereto, and general equity principles; and each such agreement does not violate any applicable and explicit PRC law currently in effect. There may be, however, uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Therefore there is no assurance that relevant PRC authorities will not ultimately take a contrary view.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Operations and Principal Activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

iii) Risks in relation to VIE structure (Continued)

The following consolidated financial information of the Group's VIEs and their subsidiaries as of December 31, 2022 and 2023 and for the years ended December 31, 2021, 2022 and 2023 was included in the accompanying consolidated financial statements of the Group as follows (in thousands):

	As of December 31,	
	2022	2023
	RMB	RMB
ASSETS		
Current assets:		
Cash and cash equivalents	250,759	358,635
Short-term investments	38,500	85,301
Trade receivables	121,796	115,888
Amounts due from related parties	22,013	1,869
Amounts due from Group companies	8,671	34,099
Prepayments and other current assets	68,491	81,290
Non-current assets:		
Property and equipment, net	813	489
Intangible assets, net	66,124	107,481
Goodwill	103,514	168,246
Right-of-use assets	4,772	4,205
Other non-current assets	8,943	7,855
Total assets	**694,396**	**965,358**
Current liabilities		
Accounts payable and accrued liabilities	187,595	275,469
Salary and welfare payables	10,132	22,415
Taxes payable	3,925	10,708
Contract liabilities	269,425	231,308
Amounts due to related parties	16,000	2,787
Amounts due to Group companies[(a)]	145,247	274,808
Short-term lease liabilities	2,428	1,477
Other current liabilities	22,991	24,247
Non-current liabilities		
Long-term lease liabilities	2,525	2,003
Deferred tax liabilities	8,555	19,919
Other non-current liabilities	30,373	87,368
Total liabilities	**699,196**	**952,509**

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Operations and Principal Activities (Continued)

(b) VIE arrangements between the Company's PRC subsidiaries (Continued)

iii) Risks in relation to VIE structure (Continued)

	For the Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Inter-company revenues	196	866	485
Third-party revenues	766,032	1,548,003	2,445,830
Inter-company cost[(a)]	(330,486)	(582,440)	(804,488)
Third-party cost	(373,390)	(618,365)	(845,458)
Gross Profit	**62,352**	**348,064**	**796,369**
Operating expenses[(a)]	(85,017)	(361,723)	(847,972)
Other income	4,834	9,452	20,302
Loss before income tax	**(17,831)**	**(4,207)**	**(31,301)**
Income tax expense	(3,435)	(6,948)	(7,070)
Net loss	**(21,266)**	**(11,155)**	**(38,371)**
Net loss attributable to noncontrolling interests	—	128	1,758
Net loss attributable to the Company	**(21,266)**	**(11,027)**	**(36,613)**

	For the Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Purchases of goods and services from Group Companies[(a)]	(45,579)	(906,100)	(878,010)
Operating activities with external parties	432,031	727,853	1,093,734
Net cash provided by/(used in) operating activities	**386,452**	**(178,247)**	**215,724**
Purchases of short-term investments	(870,000)	(1,513,535)	(431,000)
Proceeds of maturities of short-term investments	490,000	1,924,071	387,014
Other investing activities with external parties	(33,626)	(40,843)	(63,862)
Net cash (used in)/provided by investing activities	**(413,626)**	**369,693**	**(107,848)**
Net (decrease)/increase in cash and cash equivalents	(27,174)	191,446	107,876
Cash and cash equivalents at beginning of the year	86,487	59,313	250,759
Cash and cash equivalents at end of the year	**59,313**	**250,759**	**358,635**

(a) VIEs have incurred RMB330.5 million, RMB572.3 million and RMB857.4 million in fees related to services provided by the WFOEs and WFOEs and concurrently recognized the same amounts as revenues for the years ended December 31, 2021, 2022 and 2023, respectively. In 2021, 2022, and 2023, the total amount of such service fees that VIEs paid to the relevant WFOEs under the relevant agreements was RMB45.6 million, RMB896.3 million and RMB834.5 million, respectively. The unsettled balance in respect of such transactions was RMB54.6 million and RMB130.8 million as of December 31, 2022 and 2023, respectively.

In accordance with various contractual agreements, the Company has the power to direct the activities of the VIEs and can have assets transferred out of the VIEs and their subsidiaries. Therefore, the Company considers that there are no assets in the VIEs and their subsidiaries that can be used only to settle obligations of the VIEs and their subsidiaries, except for the registered capital of the VIEs and their subsidiaries amounting to approximately RMB22.9 million and RMB23.9 million as of December 31, 2022 and 2023, respectively. As the VIEs are incorporated as limited liability company under the PRC Company Law, creditors do not have recourse to the general credit of the Company for the liabilities of the VIEs and their subsidiaries. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Operations and Principal Activities (Continued)

(c) Liquidity

The Group incurred net losses of RMB1,298.9 million, RMB1,578.4 million and RMB839.5 million for the years ended December 31, 2021, 2022 and 2023, respectively. Net cash used in operating activities was RMB440.2 million, RMB1,115.0 million and RMB415.5 million for the years ended December 31, 2021, 2022 and 2023, respectively. Accumulated deficit was RMB7,862.0 million and RMB8,708.3 million as of December 31, 2022 and 2023, respectively. The Group assesses its liquidity by its ability to generate cash from operating activities and attract investors' investments.

Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from investors to fund its operations and business development. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenues while controlling operating expenses, as well as, generating operational cash flows and continuing to gain support from outside sources of financing. The Group has been continuously receiving financing support from outside investors through the issuance of preferred shares. In March 2021, with the completion of its initial public offering on New York Stock Exchange, the Group received net proceeds of RMB4,838.2 million. In April 2021, the underwriters exercised their option to purchase additional ADSs and the Company received net proceeds of RMB15.1 million. As of December 31, 2022 and 2023, the Group had RMB5,495.0 million and RMB4,432.4 million of net current assets. Based on the above considerations, the Group believes the cash and cash equivalents, term deposits and short-term investments are sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months from the issuance of the consolidated financial statements. The Group's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

2. Significant Accounting Policies

(a) Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and subsidiaries of the VIEs for which the Company are the primary beneficiary.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of the board of directors, or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

Consolidated VIEs are entities in which the Company, or its subsidiaries, through contractual arrangements, has the power to direct the activities that most significantly impact the entities' economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity. Therefore, the Company has a controlling financial interest in each VIE, is the primary beneficiary of each entity, and consolidates each VIE (and the VIE subsidiaries) under U.S. GAAP (ASC 810).

All transactions and balances among the Company, its subsidiaries, the consolidated VIEs and subsidiaries of the VIEs have been eliminated upon consolidation.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(c) Use of estimates

The preparation of the Group's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the balance sheet date and reported revenues and expenses during the reported periods in the consolidated financial statements and accompanying notes. Significant accounting estimates include but are not limited to the assessment of the allowance for credit losses on trade receivables and the purchase price allocation in relation to acquisitions and goodwill impairment assessments.

(d) Functional currency and foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its overseas subsidiaries which are incorporated in the Cayman Islands, the British Virgin Islands and Hong Kong is United States dollars ("US$"). The functional currency of the Group's PRC entities is RMB.

In the consolidated financial statements, the financial information of the Company and other entities located outside of the PRC have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the periodic average exchange rate. Translation adjustments are reported as foreign currency translation adjustments and are shown as a component of other comprehensive (loss)/income in the consolidated statements of operations and comprehensive loss.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. Net gains and losses resulting from foreign exchange transactions are included in others, net in the consolidated statements of operations and comprehensive loss.

(e) Convenience Translation

Translations of balances in the consolidated balance sheets, consolidated statements of operations and comprehensive loss and consolidated statements of cash flows from RMB into US$ as of and the year ended December 31, 2023 are solely for the convenience of the reader and were calculated at the rate of US$1.00 = RMB 7.0999, representing the exchange rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 29, 2023. No representation is made that the RMB amounts represent or could have been, or could be, converted, realized or settled into US$ at that rate on December 31, 2023, or at any other rate.

(f) Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(f) Fair value measurements (Continued)

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation techniques are observable or unobservable. The hierarchy is as follows:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical asset or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 applies to asset or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Accounting guidance also describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

Financial assets and liabilities of the Group primarily consist of cash and cash equivalents, term deposits, short-term investments, trade receivables, other receivables and amounts due from/to related parties, accounts payable and accrued liabilities and other current liabilities and contingent consideration in relation to acquisitions. As of December 31, 2022 and 2023, the carrying values of cash and cash equivalents, term deposits, trade receivables, amounts due from/to related parties, other receivables, accounts payable and accrued liabilities and other current liabilities approximate their respective fair values due to their short-term duration. Please see Note 22 for additional information of contingent consideration payables.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Term deposits

Term deposits are the balances placed with the banks with original maturities over three months. The term deposits are unsecured and carry fixed interest per annum for the years presented.

(i) Short-term investments

Short-term investments mainly include investments in financial instruments with a variable interest rate indexed to performance of underlying assets. In accordance with ASC 825 — "Financial Instruments", the Group elected the fair value method at the date of initial recognition and carried these investments at fair value. Changes in the fair value are reflected "investment income" in the consolidated statements of operations and comprehensive loss as other income/(expense).

(j) Expected credit losses

In 2016, the Financial Accounting Standards Board ("FASB") issued ASC Topic 326, which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses.

The Group's trade receivables and other receivables included in prepayment and other current assets and other non-current assets are within the scope of ASC Topic 326. The Group has identified the relevant risk characteristics of its customers and the related receivables and other receivables which include size, type of the services or the products the Group provides, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into portfolio groups. For each portfolio group, the Group considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include payment terms offered in the normal course of business to customers and industry-specific factors that could impact the Group's receivables. Additionally, external data and macroeconomic factors are also considered. They are assessed at each quarter based on the Group's specific facts and circumstances. Changes in these factors in the current expected credit loss model from January 1, 2019 had no significant impact on the consolidated financial statements.

The Group's trade receivables consist primarily of advertising agencies and direct advertising customers. The Group recorded a provision for current expected credit loss. The balance of gross trade receivables was RMB927.1 million and RMB787.3 million as of December 31, 2022 and 2023, against which an allowance for expected credit losses of RMB92.9 million and RMB122.7 million was made as of December 31, 2022 and 2023. The following table sets out movements of the allowance for expected credit losses on trade receivables, amount due from related parties and other receivables for the years ended December 31, 2021, 2022 and 2023 (in thousands):

	For the Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Beginning balance	28,035	60,531	94,988
Additional allowance for credit losses, net of recoveries	32,633	34,457	29,916
Write-off	(137)	—	(48)
Ending balance	60,531	94,988	124,856

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(k) Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

Electronic equipment	3 years
Office equipment and furniture	3 - 5 years
Leasehold improvement	Shorter of their useful life and the lease term

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations and comprehensive loss.

(l) Intangible assets, net

Separately acquired license, software and other intangible assets are shown at historical cost. Intangible assets acquired in a business combination were recognized initially at fair value at the date of acquisition. They have finite useful lives and are subsequently carried at cost less accumulated amortization and impairment losses (if any). The Group amortizes intangible assets with a limited useful life using the straight-line method over the following years:

Licenses	5 years
Software	10 years
Content	5 years
Brand name	10 years
Technology	5 years

(m) Goodwill

Goodwill represents the excess of the purchase consideration over the acquisition date amounts of the identifiable tangible and intangible assets acquired and liabilities assumed from the acquired entity in a business combination. Goodwill is not amortized but is tested for impairment on December 31 annually, or more frequently if events or changes in circumstances indicate that it might be impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of its only reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. Otherwise, no further testing is required.

On January 1, 2020, the Group adopted Accounting Standards Update (“ASU”) No. 2017-04, Simplifying the Test for Goodwill Impairment to simplify the test for goodwill impairment by removing Step 2, which was issued by the FASB in January 2017. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step 2 to measure the impairment loss.

The Group as a whole is determined to be one reporting unit for goodwill impairment testing. The goodwill balance was RMB126.3 million and RMB191.1 million as of December 31, 2022 and 2023, respectively.

For the years ended December 31, 2021 and 2022, no impairment indicator was noted by performing qualitative analysis, therefore, no provision was recorded. During the year ended December 31, 2023, due to the changing market conditions and fluctuations in our share price, the Group performed both qualitative and quantitative analysis as of June 30, 2023 and December 31, 2023. A third-party valuation firm was engaged to help the management determine the fair value of the reporting unit by applying income approach. The judgment in estimating the fair value of the reporting unit includes revenue growth rates and profit margin, determining appropriate discount rates and making other assumptions. Based on the quantitative assessment, management determined no impairment loss was recorded for the year ended December 31, 2023.

2. Significant Accounting Policies (Continued)

(n) Impairment of long-lived assets other than goodwill

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will affect the future use of the assets) indicate that the carrying value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets. No impairment charge was recognized for the years ended December 31, 2021, 2022 and 2023.

(o) Long-term investment, net

The Company's long-term investments consist of investments in privately held companies. For those investments over which the Group does not have significant influence and without readily determinable fair value, the Group records them at cost, less impairment, and plus or minus subsequent adjustments for observable price changes (referred to as the measurement alternative). Under this measurement alternative, changes in the carrying value of the equity investments are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer.

Management regularly evaluates the equity investments for impairment based on performance and financial position of the investees as well as other evidence of market value. Such evaluation includes, but not limited to, reviewing the investees' cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in the consolidated statements of operations and comprehensive loss equal to the excess of the investment's cost over its fair value at the balance sheet date of the reporting year for which the assessment is made. The fair value would then become the new cost basis of investment. For the years ended December 31, 2021, 2022 and 2023, nil, RMB20.9 million and nil impairment losses were recognized, respectively.

(p) Derivative instruments

Derivative instruments are carried at fair value, which generally represent the estimated amounts expect to receive or pay upon termination of the contracts as of the reporting date. Derivative financial instruments are not used for trading or speculative purposes.

The Group has entered into several currency exchange options and forward contracts with certain commercial banks in PRC to mitigate the risks of foreign exchange gain/loss generated from the Group's balances of cash and cash equivalents and term deposits denominated in US dollars. As such instruments do not qualify for hedge accounting treatment, the Group records the changes in fair value of the derivatives in Fair value change of financial instruments in the statements of operations and comprehensive loss. For years ended December 31, 2021, 2022 and 2023, a gain of RMB31.8 million, a loss of RMB145.2 million and nil were recorded in fair value change of financial instruments, respectively.

(q) Leases

In February 2016, FASB issued ASU 2016-02, Leases, which specifies the accounting for leases. Earlier application is permitted for all entities as of February 25, 2016, the issuance date of the final standard. The Group early adopted ASC 842 on January 1, 2018, along with all subsequent ASU clarifications and improvements that are applicable to the Group, to each lease that existed in the years presented in the financial statements, using the modified retrospective transition method and used the commencement date of the leases as the date of initial application. Consequently, financial information and the disclosures required under ASC 842 are provided for dates and years presented in the financial statements. The Group has applied the practical expedient to not recognize short-term leases with lease terms of one year or less.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(q) Leases (Continued)

The Group determines if a contract contains a lease based on whether it has the right to obtain substantially all of the economic benefits from the use of an identified asset which the Group does not own and whether it has the right to direct the use of an identified asset in exchange for consideration. Right-of-use assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Right-of-use assets are recognized as the amount of the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Group's incremental borrowing rate ("IBR"), because the interest rate implicit in most of the Group's leases is not readily determinable. The IBR is a hypothetical rate based on the Group's understanding of what its credit rating would be to borrow and resulting interest the Group would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis. Lease payments may be fixed or variable, however, only fixed payments or in-substance fixed payments are included in the Group's lease liability calculation. Variable lease payments are recognized in operating expenses in the year in which the obligation for those payments is incurred.

(r) Revenue recognition

The Group adopted ASC 606 — "Revenue from Contracts with Customers" for all years presented. According to ASC 606, revenue is recognized as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

Trade receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(r) Revenue recognition (Continued)

Paid membership services

The Group generates revenue through paid membership services on its community where users pay a membership fee to access premium content library for a fixed time period. The Group is determined to be the primary obligor and accordingly, the Group records revenue on a gross basis, and the revenue sharing to the content providers is recorded as cost of revenues.

The Group offers membership service which provides subscription members' access right to premium content. Membership periods range from one month to twelve months. Membership service represents a stand ready obligation to provide the paid content service and the customer simultaneously receives and consumes the benefits as the Group provide such services throughout the membership period. The receipt of membership fees is initially recorded as contract liabilities and revenue is recognized ratably over the membership period as services are rendered.

Users who are undecided about or otherwise do not need paid memberships can pay retail prices to access the premium content. This on-demand access option supplements the membership programs as an additional revenue stream and provides flexibility to the users. The Group determined that the retail purchase consists of two performance obligations: the content and the hosted connection for content online playback ("online hosting"). The transaction price is allocated between the two performance obligations based on the relative standalone selling price. The purchased content usually has no expiry period unless otherwise stated. As the Group does not have further obligation after making the content available to the user for content performance obligation, the revenue from content performance obligation is recognized at the time of purchase for pre-recorded content and at the time of completion of live streaming for live streaming content. The online hosting performance obligation is satisfied over the viewing period of the customers.

Accordingly, the Group recognizes the revenue over the estimated benefit periods. The revenue derived from retail purchases is not significant for the years ended December 31, 2021, 2022 and 2023.

The Group also provides discount coupons to its customers for use in purchasing online paid contents, which were not material for the years ended December 31, 2021, 2022 and 2023, and treated as a reduction of consideration.

Marketing services

The Group derives its marketing services revenues principally from advertising services and content commerce solution services.

Advertising revenues are derived principally from advertising contracts with customers where the customers pay to place their advertisements on the Group's community over a particular period of time. Such formats generally include but are not limited to launched screen advertisements, in-app bannered advertisements and feed advertisements. Merchants and brands can choose to compose their advertisements in text, images or videos and decide whether they are display-based or performance-based. Zhihu primarily charges for display-based advertisements using the cost-per-mille ("CPM") model and cost-per-day ("CPD") model, and primarily charges for performance-based advertisements by the cost-by-click ("CPC") model and CPM model.

Content-commerce solution services are online marketing solutions that are seamlessly integrated into our regular content operations. The Group provides content-commerce solutions services to expose the designated content to a more targeted audience. Zhihu primarily charges the content-commerce solutions service by CPC model.

The Group recognizes marketing services revenue based on the satisfied performance obligations and defers the recognition of revenue for the estimated value of the undelivered elements until the remaining performance obligations have been satisfied. When all of the elements within the arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight-line basis over the contract period. The primary services and pricing models of marketing services are summarized as below:

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(r) Revenue recognition (Continued)

CPM model

Under the CPM model, the unit price for each qualified display is fixed and stated in the contract with customers. A qualified display is defined as the appearance of an advertisement or designated content, where it meets the criteria specified in the contract. Given the fees are priced consistently throughout the contract and the unit prices for each qualified display is fixed accordingly, the Group recognizes revenue based on the fixed unit prices and the number of qualified displays upon occurrence of display, provided all revenue recognition criteria have been met.

CPC model

Under the CPC model, there is no fixed price for marketing services stated in the contract with the customer and the unit price for each click is auction-based. The Group charges merchants and brands on a per-click basis, when the users click on the advertisements or the designated content. Given that the unit price is fixed, the Group recognizes revenue based on qualifying clicks and unit price upon the occurrence of a click, provided all revenue recognition criteria have been met.

CPD model

Under the CPD model, a contract is signed to establish a fixed price for the marketing services to be provided over a period of time. Given the customers benefit from the display of the advertisement or designated content evenly, the Group recognizes revenue on a straight-line basis over the period of display, provided all revenue recognition criteria have been met.

Sales rebate to certain customers

Certain customers may receive sales rebates, which are accounted for as variable consideration. The Group estimates annual expected revenue volumes of each individual customer with reference to their historical results. The sales rebate reduces revenues recognized. The Group recognizes revenue for the amount of fees it receives from its advertisers, after deducting sales rebates and net of value-added tax (“VAT”). The Group believes that there will not be significant changes to its estimates of variable consideration.

Vocational Training revenue

The Group offers various types of vocational trainings, which cover practical training courses focusing on acquisition of specific skills, professional qualification exam preparation courses, vocational language exam preparation courses, and other vocational training courses. Our vocational training courses primarily consist of pre-recorded audio-video courses and live online training courses. Course fees are generally collected in advance and are initially recorded as a contract liability. Revenue is recognized proportionately over the relevant period in which the training courses are delivered.

Other revenues

The Group’s other revenues are primarily generated from the sales of our private label products and book series, and other activities. Other revenues are recognized when control of promised goods or services is transferred to the customers, which generally occurs upon the acceptance of the goods or services by the customers. Pursuant to ASC 606-10-55-39, for arrangements where the Group is primarily responsible for fulfilling the promise to provide the goods or services, is subject to inventory risk, and has latitude in establishing prices and selecting suppliers, revenues are recorded on a gross basis. Otherwise, revenues are recorded on a net basis.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(r) Revenue recognition (Continued)

Nonmonetary transactions

The group enters into nonmonetary transactions with certain advertising service providers whereby each party of these transactions would place counter parties' advertisement on their own platform. Revenue from these nonmonetary transactions is recognized when an advertising service is provided as discussed above and the expense related to the advertising activities is recognized over the duration of display. The Group uses the fair value of the goods or services received when measuring the non-cash consideration for advertising service revenue earned. The Group will only measure the non-cash consideration indirectly by reference to the standalone selling price of the goods or services surrendered if the fair value of the goods or services received is not reasonably estimable. The amount of revenue recognized for nonmonetary transactions was not material for the years ended December 31, 2021, 2022 and 2023.

Principal expedients and exemptions

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of one year or less.

The Group recognizes an asset for the incremental costs of obtaining a contract if those costs are expected recoverable. The Group elects to expense certain costs to obtain a contract as incurred when the expected recover period is one year or less.

(s) Cost of revenues

Cost of revenues consist primarily of cloud service and bandwidth costs, staff costs including share-based compensation, content and operational cost, payment processing cost, and other direct costs related to the operation of business. These costs are charged to the consolidated statements of operations and comprehensive loss as incurred.

(t) Selling and marketing expenses

Selling and marketing expenses consist primarily of promotion and advertising expenses, staff costs including share-based compensation and other daily expenses which are related to the selling and marketing departments. For the years ended December 31, 2021, 2022 and 2023, advertising expenses were RMB782.6 million, RMB967.4 million and RMB721.9 million, respectively.

(u) General and administrative expenses

General and administrative expenses consist of staff costs including share-based compensation expenses and related expenses for employees involved in general corporate functions, including accounting, finance, tax, legal and human resources and costs associated with use by these functions such as depreciation of related facilities and equipment, traveling and general expenses, professional service fees and other related expenses.

(v) Research and development expenses

Research and development expenses mainly consist of staff costs including share-based compensation expenses, expenses incurred for new technology and product development and product enhancements, rental expenses incurred associated with research and development departments.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(v) Research and development expenses (Continued)

For those websites and platforms of applications, the Group expenses all costs incurred for the preliminary project stage and post implementation-operation stage of development, and costs associated with repair or maintenance of the existing platform. Costs incurred in the application development stage are capitalized and amortized over the estimated useful life. Since the amount of the Group's research and development expenses qualifying for capitalization has been immaterial, as a result, all website and software development costs have been expensed in "research and development expenses" as incurred.

(w) Share-based compensation

Share-based compensation benefits are provided to employees under the 2012 incentive compensation plan (the "2012 incentive plan") and the 2022 incentive plan (the "2022 incentive plan"), collectively the "Zhihu Employee Incentive Plan" or the "Plan". The Company accounts for share-based compensation benefits granted to employees in accordance with ASC 718 Stock Compensation. Information relating to the plan is set out in Note 14.

Prior to the completion of the IPO, the Company used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted an equity allocation model to determine the fair value of the underlying ordinary share. After the completion of the IPO, the Company has used share prices as the fair value of the underlying ordinary share. The determination of estimated fair value of share-based compensation on the grant date using binomial option-pricing model is affected by the fair value of the Company's ordinary shares as well as assumptions in relation to a number of complex and subjective variables. These variables include the expected value volatility of the Company over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate and expected dividends, if any.

The fair value of options granted under the plan is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognized over the vesting period, over which all the specified vesting conditions are to be satisfied, using a graded vesting method. The Group accounts for forfeitures in the period they occur as a reduction to expense.

(x) Employee benefits

PRC Contribution Plan

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries and the VIEs of the Group make contributions to the government for these benefits based on certain percentages of the salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond making the required contributions. For the years ended December 31, 2021, 2022 and 2023, there are no forfeited contribution that may be used by the Group as the employer to reduce the existing level of contributions. The total amounts of such employee benefit expenses, which were expensed as incurred, were approximately RMB148.5 million, RMB216.2 million and RMB 236.6 million for the years ended December 31, 2021, 2022 and 2023, respectively. The total balances of such employee benefit including the accrual for estimated underpaid amounts were approximately RMB90.4 million and RMB70.7 million as of December 31, 2022 and 2023, respectively.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(y) Taxation

Income taxes

Current income taxes are provided on the basis of income/(loss) for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are provided using the liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax basis of an asset or liability is the amount attributed to that asset or liability for tax purposes. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statement of operations and comprehensive loss in the year of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

In order to assess uncertain tax positions, the Group applies a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Group recognizes interest and penalties, if any, under other current liabilities on its consolidated balance sheet and under other expenses in its consolidated statement of operations and comprehensive loss. The Group did not have any significant unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefits as of and for the years ended December 31, 2021, 2022 and 2023, respectively.

(z) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence. Related parties may be individual or corporation entities.

(aa) Net loss per share

Net loss per share is computed in accordance with ASC 260, “Earnings per Share”. The two-class method is used for computing earnings per share in the event the Group has net income available for distribution. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Class A ordinary share and Class B ordinary share have the same rights in dividend. Therefore, basic and diluted loss per share are the same for both classes of ordinary shares. The Company’s convertible redeemable preferred shares may be considered as participating securities because they are entitled to receive dividends or distributions on an as if converted basis if the Group has net income available for distribution under certain circumstances. Net losses are not allocated to other participating securities as they are not obligated to share the losses based on their contractual terms.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(aa) Net loss per share (Continued)

Basic net loss per share is computed by dividing net loss attributable to ordinary shareholders, considering the accretions of convertible redeemable preferred shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for treasury stock. Diluted net loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the years. Ordinary equivalent shares consist of ordinary shares issuable upon the conversion of the convertible redeemable preferred shares using as if converted method and ordinary shares issuable upon the exercise of share options using the treasury stock method. Ordinary equivalent shares are not included in the denominator of the diluted net loss per share calculation when inclusion of such share would be anti-dilutive.

(ab) Statutory reserves

In accordance with China's Company Laws, the Company's VIEs in PRC must make appropriations from their after-tax profit (as determined under the accounting principles generally acceptable in the People's Republic of China ("PRC GAAP")), after offsetting accumulated losses from prior years to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China has to make appropriations from their after-tax profit (as determined under PRC GAAP), after offsetting accumulated losses from prior years to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the respective companies' discretion. The Foreign Investment Law of the PRC (the Foreign Investment Law) and the Regulation on the Implementation of the Foreign Investment Law are effective from January 1, 2020, and the Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-owned Enterprises, and the Law of the PRC on Sino-Foreign Contractual Joint Ventures as well as relevant regulations for the implementation of these laws and specific clauses shall be repealed simultaneously. According to Article 46 of the Regulation on the Implementation of the Foreign Investment Law, the original joint operators and cooperators in pre-existing foreign-invested enterprises may continue to follow the agreed upon terms in their contract on methods for profit allocation, distribution of surplus property, etc. Enterprises shall determine the applicability of the agreed-upon terms by taking into account of their own circumstances.

The use of general reserve fund, enterprise expansion fund, statutory surplus fund and discretionary surplus fund are restricted to the offsetting of losses or increasing of the registered capital of the respective company.

The Group did not make any appropriations to its any reserve fund for the years ended December 31, 2021 and 2022, respectively, as each subsidiary was in an accumulated loss position. The Group made RMB2.7 million appropriations to its statutory reserve fund for the year ended December 31, 2023.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(ac) Business combination and noncontrolling interests

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805, Business Combinations. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total costs of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. During the measurement period, which can be up to one year from the acquisition date, the Group may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded as gain or loss on the consolidated statements of operations and comprehensive loss.

In a business combination achieved in stages, the Group re-measures the previously held equity interests in the acquiree when obtaining control at its acquisition date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated statements of operations and comprehensive loss.

For the Company's majority-owned subsidiaries and consolidated VIEs, noncontrolling interests are recognized to reflect the portion of the equity, which is not attributable, directly or indirectly, to the Company as the controlling shareholder. Noncontrolling interests acquired through a business combination are recognized at fair value at the acquisition date, which is estimated with reference to the purchase price per share as of the acquisition date.

(ad) Comprehensive (loss)/income

Comprehensive (loss)/income is defined to include all changes in (deficit)/equity of the Group during a year arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Other comprehensive (loss)/income, as presented on the consolidated balance sheets, consists of accumulated foreign currency translation adjustments.

(ae) Treasury stock

The Company accounted for those shares repurchased as treasury stock at cost in accordance with ASC 505-30, Treasury Stock, and is shown separately in the shareholders' equity as the Company has not yet decided on the ultimate disposition of those shares acquired. At retirement of the treasury shares, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury shares over the aggregate par value is allocated between additional paid-in capital and retained earnings. Refer to Note 16 for details.

(af) Segment reporting

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers ("CODM"). Based on the criteria established by ASC280 "Segment Reporting", the Group's CODM has been identified as the Chief Executive Officer, who reviews consolidated results of the Group when making decisions about allocating resources and assessing performance.

The Group's CODM reviews consolidated results including revenue and operating income at a consolidated level. This resulted in only one operating and reportable segment in the Group.

The Group's long-lived assets are substantially all located in the PRC and substantially all the Group's revenues are derived from within the PRC, therefore, no geographical segments are presented.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies (Continued)

(ag) Recently adopted accounting pronouncements

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted. The Group adopted ASU 2021-08 effective January 1, 2023. ASU 2021-08 did not have a material impact on disclosures in the Group's on its consolidated financial statements.

(ah) Recently issued accounting pronouncements not yet adopted

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which focuses on improving reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is applied retrospectively to all periods presented in financial statements, unless it is impracticable. This update will be effective for the Group's fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Group is currently evaluating the impact of this update on its consolidated financial statements.

3. Concentrations and Risks

(a) Foreign currency exchange rate risk

In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the US$, and the RMB appreciated by more than 20% against the US$ over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the US$ remained within a narrow band. Since June 2010, the RMB has fluctuated against the US$, at times significantly and unpredictably. The depreciation of the RMB against the US$ was approximately 5%, 2%, 9% and 2% in 2018, 2019, 2022 and 2023, respectively. The appreciation of the RMB against the US$ was approximately 6% and 2% in 2020 and 2021, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US$ in the future.

(b) Credit and concentration risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash and cash equivalents, term deposits, trade receivables, other receivables and short-term investments. The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk.

As of December 31, 2022 and 2023, substantially all of the Group's cash and cash equivalents, term deposits and short-term investments were held in state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

Trade receivables are typically unsecured and are generally derived from customers. No single customer represented greater than 10% of the Group's total revenues for the years ended December 31, 2021, 2022 and 2023. Two customers accounted for greater than 10% of the Group's trade receivables as of December 31, 2022 and 2023.

No single suppliers represented greater than 10% of the Group's total purchases for the years ended December 31, 2021, 2022 and 2023, but accounts payable due to one supplier accounted for greater than 10% of the Group's accounts payable as of December 31, 2022 and 2023.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Concentrations and Risks (Continued)

(c) Currency convertibility risk

The PRC government imposes controls on the convertibility of RMB into foreign currencies. The Group's cash and cash equivalents, term deposits and short-term investments denominated in RMB that are subject to such government controls amounted to RMB3,455.3 million and RMB3,165.8 million as of December 31, 2022 and 2023, respectively. The value of RMB is subject to changes in the central government policies and to international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to process the remittance.

4. Prepayments and Other Current Assets

The following is a summary of prepayments and other current assets (in thousands):

	As of December 31,	
	2022	2023
	RMB	RMB
Deductible input value-added tax	29,941	21,272
Prepayment for promotion and advertising expense and other operation expenses	59,409	63,322
Other receivable related to exercise of employee options	11,216	13,577
Prepaid content costs	36,884	28,857
Interest income receivables	12,320	30,257
Rental and other deposits	31,181	35,689
Inventories	10,347	22,186
Others	7,951	16,856
Total	199,249	232,016

5. Short-term Investments

As of December 31, 2022 and 2023, the Group's short-term investments consisted of wealth management products and structured deposits, which contain a variable interest rate. The following is a summary of short-term investments (in thousands):

	As of December 31,	
	2022	2023
	RMB	RMB
Structured deposits	380,941	330,754
Wealth management products	406,318	1,439,068
Total	787,259	1,769,822

During the years ended December 31, 2021, 2022 and 2023, the Group recorded investment income related to short-term investments of RMB59.2 million, RMB70.4 million and RMB41.7 million in the consolidated statements of operations and comprehensive loss, respectively.

6. Property and equipment, net

The following is a summary of property and equipment, net (in thousands):

	As of December 31,	
	2022	2023
	RMB	RMB
Electronic equipment	16,391	18,084
Office equipment and furniture	7,559	7,686
Leasehold improvements	14,021	19,384
Total	37,971	45,154
Less: Accumulated depreciation	(30,681)	(34,305)
Net book value	7,290	10,849

Depreciation expenses were RMB5.8 million, RMB5.6 million and RMB4.8 million for the years ended December 31, 2021, 2022 and 2023, respectively.

7. Intangible assets, net

The following is a summary of intangible assets, net (in thousands):

	As of December 31, 2022		
	Gross carrying value	Accumulated amortization	Net carrying value
	RMB	RMB	RMB
Software	3,192	(1,322)	1,870
License	54,904	(54,904)	—
Content	38,300	(9,903)	28,397
Brand name	48,000	(4,217)	43,783
Technology	7,500	(1,313)	6,187
Others	9	(9)	—
Total	151,905	(71,668)	80,237

	As of December 31, 2023		
	Gross carrying value	Accumulated amortization	Net carrying value
	RMB	RMB	RMB
Software	6,378	(1,789)	4,589
License	54,904	(54,904)	—
Content	51,600	(19,558)	32,042
Brand name	91,000	(12,242)	78,758
Technology	10,200	(3,218)	6,982
Others	299	(25)	274
Total	214,381	(91,736)	122,645

Amortization expenses were RMB15.7 million, RMB21.5 million and RMB20.1 million for the years ended December 31, 2021, 2022 and 2023, respectively. No impairment charge was recognized for any of the years presented.

7. Intangible assets, net (Continued)

As of December 31, 2023, estimated amortization expense for intangible assets subject to amortization is as follows (in thousands):

	RMB
2024	22,127
2025	22,127
2026	18,697
2027	14,340
2028	10,509
Thereafter	34,845
Total	122,645

8. Lease

The Group's leasing activities primarily consist of operating leases for offices. The Group adopted ASC 842 effective January 1, 2018. ASC 842 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet. The Group has applied the available practical expedient to not recognize short-term leases with lease terms of one year or less on the balance sheet.

As of December 31, 2022 and 2023, the Group recorded right-of-use assets of approximately RMB100.1 million and RMB40.2 million and lease liabilities of approximately RMB96.6 million and RMB45.7 million, respectively, for operating leases as a leasee. Supplemental cash flow information related to operating leases was as follows (in thousands):

	For the Year Ended December 31,	
	2022	2023
	RMB	RMB
Cash payments for operating leases	56,717	48,613
Right-of-use assets obtained in exchange for operating lease liabilities	24,818	27,853

Future lease payments under operating leases as of December 31, 2023 were as follows (in thousands):

	RMB
2024	42,956
2025	3,110
2026	654
Total future lease payments	46,720
Less: imputed interest	(989)
Total lease liabilities	45,731

The weighted-average remaining lease term was 2.01 years and 0.92 years as of December 31, 2022 and 2023, respectively.

The weighted-average discount rate used to determine the operating lease liability as of December 31, 2022 and 2023 was 4.75% and 4.75%, respectively.

Operating lease expenses for the years ended December 31, 2021, 2022 and 2023 was RMB38.7 million, RMB54.3 million and RMB58.4 million, respectively, which excluded expenses of short-term contracts. Short-term lease expenses for the years ended December 31, 2021, 2022 and 2023 were RMB0.5 million, RMB2.4 million and RMB5.8 million, respectively.

No lease contract was early terminated for the years ended December 31, 2021 and 2022. The right-of-use assets and lease liabilities early terminated for the year ended December 31, 2023 were RMB32.5 million and RMB32.4 million, respectively.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Taxation

(a) Value-added tax ("VAT")

The Group's subsidiaries, consolidated VIEs and VIEs' subsidiaries incorporated in China are subject to statutory VAT rate of 6% for services rendered and 9% or 13% for goods sold.

(b) Income taxes

Composition of income tax

The current income tax expenses for the years ended December 31, 2021, 2022 and 2023 were approximately RMB5,443,000, RMB16,583,000 and RMB15,638,000 respectively.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company in the Cayman Islands to their shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK$2 million, and 16.5% on any part of assessable profits over HK$2 million. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

China

Under PRC Enterprise Income Tax ("EIT") Law, foreign-invested enterprises ("FIEs") and domestic companies are subject to a unified EIT rate of 25%. Preferential tax treatments will continue to be granted to FIEs or domestic companies which conduct businesses in certain encouraged sectors and to otherwise classified as "Software Enterprises", "Key Software Enterprises" and/or "High and New Technology Enterprises" ("HNTEs").

The aforementioned preferential tax rates are subject to annual review by the relevant tax authorities in China. One subsidiary, two subsidiaries and two subsidiaries of the Company were accredited as HNTEs and were entitled to a preferential income tax rate at 15% for the years ended December 31, 2021, 2022 and 2023, respectively. All other major PRC incorporated entities of the Group were subject to a 25% income tax rate for all the years presented.

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to claw back underpaid tax plus penalties and interest for PRC entities' tax filings. The tax years ended December 31, 2019 through 2023 for the Company's PRC subsidiaries and VIEs remain subject to examination by the PRC tax authorities. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation.

The Company may also be subject to the examination of the tax filings in other jurisdictions, which are not material to the consolidated financial statements.

There were no ongoing examinations by tax authorities as of December 31, 2023.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Taxation (Continued)

(b) Income taxes (Continued)

China (Continued)

The following table presents a reconciliation of the income tax expenses computed by the statutory income tax rate to the Group's income tax expense of the year presented are as follows (in thousands):

	For the Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Income tax computed at statutory EIT rate (25%)	(323,359)	(391,056)	(206,902)
Permanent differences [1]	125,132	47,981	(96,793)
Effect of different tax jurisdictions	4,077	20,714	(20,216)
Effect of preferential tax rate	128,584	151,971	98,329
Change in deferred tax assets valuation allowance	71,009	184,573	237,414
Income tax expenses	5,443	14,183	11,832

(1) The permanent differences mainly consist of additional deduction for research and development expenditures and non-deductible expenses.

The following table sets forth the effect of preferential tax rate on the PRC operations (in thousands except per share data):

	For the Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Tax holiday effect	128,584	151,971	98,329
Basic and diluted net loss per share effect	0.54	0.50	0.33

(c) Deferred tax assets and liabilities

The following table presents the tax impact of significant temporary differences that give rise to the deferred tax assets and liabilities as of the years presented (in thousands):

	As of December 31,	
	2022	2023
	RMB	RMB
Deferred tax assets:		
Net operating tax loss carry forwards	461,751	679,789
Advertising and promotion expenses in excess of deduction limit	296,037	310,560
Provision of allowance for expected credit losses	23,178	31,140
Payroll and expense accrued	12,254	9,145
Less: valuation allowance	(793,220)	(1,030,634)
Total deferred tax assets, net	—	—
Deferred tax liabilities:		
Acquired intangible assets	11,630	22,574
Total deferred tax liabilities	11,630	22,574

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Taxation (Continued)

(c) Deferred tax assets and liabilities (Continued)

The following table sets forth the movement of the valuation allowances for deferred tax assets for the years presented (in thousands):

	2022 RMB	2023 RMB
Deferred tax assets:		
Balance as of January 1,	(608,647)	(793,220)
Change of valuation allowance	(184,573)	(237,414)
Balance as of December 31,	(793,220)	(1,030,634)

The tax losses of the Group expire over different time intervals depending on local jurisdiction. Certain entity's expiration year for tax losses has been extended from five years to ten years due to new tax legislation released in 2018. As of December 31, 2023, certain entities in mainland China of the Group had net operating tax loss carry forwards, if not utilized, which would expire as follows (in thousands):

	RMB
Loss expiring in 2024	32,013
Loss expiring in 2025	172,024
Loss expiring in 2026	297,850
Loss expiring after 2026	3,816,396
Total	4,318,283

(d) Withholding income tax

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign invested entity ("FIE") to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Such withholding income tax was exempted under the Previous EIT Law. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China.

According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate that may be lowered to 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The State Administration of Taxation ("SAT") further promulgated Circular 601 on October 27, 2009, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance and that a beneficial ownership analysis will be used based on a "substance-over-form" principle to determine whether or not to grant the tax treaty benefits.

To the extent that subsidiaries and VIEs and the subsidiaries of VIEs of the Group have undistributed earnings, the Company will accrue appropriate expected tax associated with repatriation of such undistributed earnings. As of December 31, 2021, 2022 and 2023, the Company did not record any withholding tax on the retained earnings of its subsidiaries and VIEs in the PRC as they were still in accumulated deficit position.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other Current Liabilities

The following is a summary of other current liabilities as of December 31, 2022 and 2023 (in thousands):

	As of December 31,	
	2022	2023
	RMB	RMB
Payable of deposits	23,455	19,889
Accrued VAT tax payable	42,204	55,592
Payable to the users	28,243	9,989
Payable of employee benefits	8,637	8,617
Consideration and contingent consideration payables for acquisitions	43,565	29,991
Reimbursement from the depositary bank	12,376	43,513
Others	7,051	4,152
Total	165,531	171,743

11. Contract Liabilities

Contract liabilities primarily relate to the payments received for advertising services, paid content services, content-commerce solutions and vocational training in advance of revenue recognition. The increase in contract liabilities over the prior year was a result of the increase in consideration received from the Group's customers, which was in line with the growth of revenues in content-commerce solutions, paid membership service and vocational training. Due to the generally short-term duration of the relevant contracts, the majority of the performance obligations are satisfied within one year. The amount of revenue recognized that was included in the contract liabilities balance at the beginning of the year was RMB138.6 million, RMB215.5 million and RMB319.3 million for the years ended December 31, 2021, 2022 and 2023, respectively.

12. Ordinary Shares

The Company was incorporated on May 17, 2011 with an authorized share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each, of which 10 ordinary shares had been issued. Zhihu Holdings Inc. and Innovation Works Holdings Limited, companies organized under the laws of the British Virgin Islands, held 80% and 20% of total equities of the Company, respectively.

After several issuances, share splits and repurchases of certain shares held by investors prior to 2019, the Company had 58,808,070 of ordinary shares issued and outstanding as of December 31, 2018.

In March 2021, the Company completed the IPO. Immediately prior to the completion of the IPO, the Company's authorized share capital was changed into US$200,000 divided into 1,600,000,000 shares comprising (i) 1,500,000,000 Class A ordinary shares of a par value of US$0.000125 each, (ii)50,000,000 Class B ordinary shares of a par value of US$0.000125 each, and (iii) 50,000,000 shares of a par value of US$0.000125 each of such class or classes (however designated) as the board of directors may determine in accordance with the Company's post-offering memorandum and articles of association. Immediately prior to the completion of the IPO, all of the Company's issued and outstanding preferred shares and ordinary shares were converted into, and re-designated and re-classified, as Class A ordinary shares on a one-for-one basis, except that the 19,227,592 shares beneficially owned by Mr. Yuan Zhou continue to be Class B ordinary shares.

During the IPO, the Company sold a total of 55,000,000 ADSs, with two ADSs representing one Class A ordinary share of the Company with par value of US$0.000125 per share. In addition, the Company sold and issued 13,157,892 Class A ordinary shares in the concurrent private placements to certain investors based on the IPO price of US$9.50 per ADS. The Company received a total of approximately US$737.1 million (RMB4.8 billion) of net proceeds after deducting the underwriter commissions and relevant offering expenses.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Ordinary Shares (Continued)

In April 2021, the underwriters exercised their option to purchase 259,904 additional ADSs and the Company received a total of approximately US$2.3 million (RMB15.1 million) of net proceeds after deducting the underwriter commissions.

In June 2022, 50,000,000 shares were designated as Class A ordinary shares of a par value of US$0.000125 each. As a result, the Company had 1,600,000,000 authorized shares in total, comprising (i) 1,550,000,000 Class A ordinary shares of a par value of US$0.000125 each, (ii) 50,000,000 Class B ordinary shares of a par value of US$0.000125 each.

13. Preferred Shares

The following table summarizes the issuances of convertible redeemable preferred shares (collectively, "Preferred Shares").

Series of Preferred Shares	Date of issuance	Total number of shares issued	Consideration per share US$
Series A	08/11/2011	37,858,584	0.26
Series B	05/05/2014	25,164,697	0.93
Series C	21/09/2015	27,935,316	2.17
Series D	08/12/2016	22,334,525	4.63
Series D1	22/03/2017	6,947,330	5.04
Series E	26/07/2018, 14/09/2018	27,267,380	9.89
Series F	07/08/2019	34,677,872 (i)	12.52
		182,185,704	

(i) Including 11,985,440 Series F preferred shares legally issued in December 2020 upon the exercise of the warrant as discussed in Accounting of Preferred Shares.

The key terms of the preferred shares are as follows:

Conversion rights

Unless converted earlier pursuant to the provisions with respect to automatic conversion as set out below, preferred shares shall be convertible, at the option of the holder thereof, at any time into such number of fully paid and non-assessable Class A ordinary shares at an initial conversion ratio of 1:1, and thereafter shall be subject to adjustment and readjustment from time to time for (a) share splits and combination, (b) ordinary share dividends and distributions, (c) reorganizations, mergers, consolidations, reclassifications, exchanges, substitution, (d) dilutive issuance.

Each Preferred Shares shall automatically be converted, based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable Class A ordinary shares upon the earlier of (i) the consummation of the qualified initial public offering ("Qualified IPO"), or (ii) the date specified by the written consent of the majority Preferred Shareholders of each Preferred Shares.

Qualified IPO means a closing of an IPO on a stock exchange reasonably accepted to the majority Preferred Shareholders with the company's market capitalization, immediately after the offering of at least US$4 billion.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Preferred Shares (Continued)

Redemption rights

The shareholders of preferred shares may request redemption of all or any part of the then outstanding shares held, at any time after the occurrence of (i) if a Qualified IPO or a trade sale is not consummated within forty-two month period after the closing of Series F financing, or (ii) if any Preferred Shares are required to be redeemed by any preferred shareholder after the closing of Series F financing, or iii) if there has been any change that does not allow or materially restricts the company to effectively control its structured entities as defined in Note 2 (b), or (iv) the occurrence of a material breach of the transaction documents by any of the Group, founders, co-founders and other parties specified in the transaction documents during the forty-two month period after the closing of Series F financing. The commencement date of term (i) mentioned above was originally five-year period after the issuance date of each preferred share and modified to forty-two-month period after the closing of Series F financing.

The redemption price of each share to be redeemed shall equal to (i) 150% of each series stated issue price, plus (ii) any accrued but unpaid dividends on such share, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations, or mergers.

Voting rights

Each Preferred Shares has voting rights equivalent to the number of Class A ordinary shares into which such Preferred Shares could be then convertible.

Dividend rights

Each preferred shareholder shall be entitled to receive the dividends on pro-rata basis according to the relative number of shares held by them on an as-converted basis, only when, as and if declared at the sole discretion of the Board and duly approved. The distribution sequence should be in the following order: Series F preferred shareholders, Series E preferred shareholders, Series D and/or Series D1 preferred shareholders, Series C preferred shareholders, Series B preferred shareholders, Series A preferred shareholders, ordinary shareholders.

Liquidation rights

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the assets and funds of the Company legally available for distribution to the shareholders shall be distributed to shareholders in the following manner and order:

Each preferred shareholder shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any previous preferred shares and ordinary shares, the amount equal to one hundred percent (100%) of the original issue price on each preferred share, plus all declared but unpaid dividends thereon up to the date of liquidation or otherwise agreed in the transaction documents. The liquidation preference amount will be paid to the Preferred Shareholders in the following order: first to holders of Series F Preferred Shares, second to holders of Series E Preferred Shares, third to holders of Series D/D1 Preferred Shares, forth to holders of Series C Preferred Shares, fifth to holders of Series B Preferred Shares and lastly to holders of Series A Preferred Shares. After distributing or paying in full the liquidation preference amount to all of the Preferred Shareholders, the remaining assets of the Company available for distribution, if any, shall distributed to the holders of ordinary shares and the Preferred Shareholders on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as converted basis. If the value of the remaining assets of the Company is less than aggregate liquidation preference amounts payable to the holders of a particular series of Preferred Shares, then the remaining assets of the Company shall be distributed pro rata amongst the holders of all outstanding Preferred Shares of that series.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Preferred Shares (Continued)

Accounting of Preferred Shares

The Company has classified the Preferred Shares in the mezzanine equity of the consolidated balance sheets as they are contingently redeemable at the options of the holders. In addition, the Company records accretions on the Preferred Shares to the redemption value from the issuance dates to the earliest redemption dates. The accretions using the effective interest method, are recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit. Each issuance of the Preferred Shares is recognized at the respective fair value at the date of issuance net of issuance costs. The issuance costs for Series A, Series B, Series C, Series D, Series D1, Series E Preferred Shares and Series F Preferred Shares were RMB0.5 million, RMB0.5 million, RMB0.8 million, RMB6.1 million, RMB2.2 million, RMB35.0 million and RMB27.0 million, respectively.

The Company has determined that there was no beneficial conversion feature attributable to the Preferred Shares because the initial effective conversion prices of these Preferred Shares were higher than the fair value of the Company's ordinary shares determined by the Company taking into account independent valuations.

Pursuant to laws applicable to PRC entities incorporated in the PRC, PRC investors should complete its statutory filings and foreign exchange registrations for outbound investment, before such PRC entities can legally own offshore investments or equity interests in offshore entities. As such, all PRC shareholders of Zhihu Inc. must complete their relevant registrations and statutory filings, as appropriate, before they can, in accordance with applicable PRC laws, hold directly or indirectly any share of the Company, which is incorporated under the laws of the Cayman Islands. Certain Preferred Shareholder who made full payment of the purchase consideration holds warrant and one Preferred Share in the Company to reflect such holder 's rights, obligations, and interests in the Company as if such holder were holding all Preferred Shares of the Company issuable upon exercise of the warrant before such holder completes its necessary registration for outbound investment to exercise its warrant to purchase Preferred Shares of the Company. This was a transitional arrangement pending completion of necessary registration process by such holder. Once such holder completes the necessary registration for outbound investment, such holder is required to exercise the warrant immediately. Accordingly, the one Preferred Share was accounted for and represented based on the terms on all Preferred Shares of the Company issuable upon exercise of the warrant. Concurrently, the Group entered into a foreign exchange forward contract with the investor. The Group accounts for the foreign exchange forward contract and the warrant as derivative asset (included in other current assets), which was measured at fair value with the changes in the fair value recorded within other income/(expenses) in the consolidated statements of operations and comprehensive loss. The holder of the warrant has completed the relevant registration and filing and exercised the warrant in December 2020. The underlying Preferred Shares have been legally issued accordingly.

Upon the completion of the IPO, all of issued and outstanding Preferred Shares automatically converted into ordinary shares on a one-for-one basis.

14. Share-based Compensation

In June 2012, the Company established 2012 Incentive Plan, which permits the grant of options, and restricted shares of the Company to relevant directors, officer and other employees of the Company and its affiliates. In December 2021, the maximum number of shares that may be issued under the 2012 incentive compensation plan was 44,021,165 Class A ordinary shares.

In June 2022, the Company established 2022 Incentive Plan, which permits the grant of options, and restricted shares of the Company to relevant directors, officer, employees and consultants of the Company and its affiliates. The maximum number of shares that may be issued under the 2022 Incentive Plan is 39,128,194 Class A ordinary shares, an aggregate number of (i) the maximum of 13,042,731 shares which may be issued pursuant to awards in the form of options, and (ii) the maximum of 26,085,463 shares and such number of shares equivalent to the unused portion of the 2012 Incentive Plan as at the expiry of such plan, which may be issued pursuant to awards in the form of restricted shares.

14. Share-based Compensation (Continued)

Under the 2012 Incentive Plan, during 2012 and 2013, options or restricted shares granted are subject to both service conditions and the occurrence of an initial public offering ("IPO") as a performance condition, which are measured at the grant date fair value.

After 2013, participants are granted options or restricted shares which only vest if certain service conditions are met. Participation in the 2012 Incentive Plan is at the board's discretion, and no individual has a contractual right to participate in the 2012 Incentive Plan or to receive any guaranteed benefits. Options issued under the 2012 Incentive Plan are valid and effective for 10 years from the grant date.

Majority of the share options shall be subject to different vesting schedules of three, three and a half or four years from the vesting commencement date, subject to the participant continuing to be an employee through each vesting date. For vesting schedule of three years, 25% of the granted share options are vested on the vesting commencement date; and 75% of the granted shares options are vested in equal monthly installments over the following thirty six (36) months. For vesting schedule of three and a half years, 25% of the granted share options are vested on the 6-month anniversary of the vesting commencement date; and 75% of the granted shares options are vested in equal monthly installments over the following thirty six (36) months. For vesting schedule of four years, 25% of the granted share options are vested on the first anniversary from the vesting commencement date; and 75% of the granted shares options are vested in equal monthly installments over the following thirty six (36) months or vested in equal yearly installments over the following three years.

Employees' share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses (a) for share options granted with only service conditions, using the graded vesting method, net of actual forfeitures, over the vesting period; or (b) for share options granted with service conditions and performance condition, the share-based compensation expenses are recorded when the performance condition is considered probable using the graded vesting method. Where the occurrence of an IPO is a performance condition, cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the IPO.

Compensation expenses related to options granted during 2012 and 2013 with a performance condition of an IPO were RMB6.3 million, for which the service condition had been met and were recognized when the performance target of an IPO was achieved in March 2021.

14. Share-based Compensation (Continued)

Share options activities

The following table presents a summary of the Company's options activities for the years ended December 31, 2021, 2022 and 2023:

	Number of options (in thousands)	Weighted Average Exercise Price US$	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (US$ in thousands)
Outstanding as of January 1, 2021	35,860	0.84	7.33	339,953
Granted	1,846	2.14		
Exercised	(15,568)	0.40		
Forfeited	(954)	4.49		
Outstanding as of December 31, 2021	21,184	1.10	6.39	211,515
Outstanding as of January 1, 2022	21,184	1.10	6.39	211,515
Granted	—	—		
Exercised	(14,289)	0.32		
Forfeited	(857)	2.89		
Outstanding as of December 31, 2022	6,038	2.68	6.08	6,838
Outstanding as of January 1, 2023	6,038	2.68	6.08	6,838
Granted	—	—		
Exercised	(1,888)	0.37		
Forfeited	(314)	1.37		
Outstanding as of December 31, 2023	3,836	3.88	5.44	992
Exercisable as of December 31, 2023	3,370	4.18	5.23	216

The weighted-average fair value of granted share options was US$13.55 for the year ended December 31, 2021. No options were granted for the years ended December 31, 2022 and 2023. The total intrinsic value of share options exercised was US$239.3 million, US$65.0 million and US$4.1 million for the years ended December 31, 2021, 2022 and 2023, respectively.

14. Share-based Compensation (Continued)

Restricted shares activities

The following table presents a summary of the Company's restricted shares activities for the years ended December 31, 2021, 2022 and 2023:

	Number of Restricted shares (in thousands)	Weighted Average Grant Date Fair Value US$
Unvested as of January 1, 2021	91	2.90
Granted	1,598	22.49
Vested	(81)	2.86
Forfeited	(127)	24.10
Unvested as of December 31, 2021	1,481	22.22
Unvested as of January 1, 2022	1,481	22.22
Granted	20,116	4.11
Vested	(738)	12.90
Forfeited	(1,543)	9.33
Unvested as of December 31, 2022	19,316	4.75
Unvested as of January 1, 2023	19,316	4.75
Granted	11,747	2.55
Vested	(3,012)	4.46
Forfeited	(5,513)	3.66
Unvested as of December 31, 2023	22,538	3.91

As of December 31, 2023, the weighted average remaining contractual life of outstanding restricted shares is 8.81 years.

Valuation

Prior to the completion of the initial public offering in the United States, the Company used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of each underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined, on a best estimate basis, by the Company.

After the completion of the initial public offering in the United States, the fair value of the share options is estimated based on the fair market value of the underlying ordinary shares at the grant date.

Based on fair value of each underlying ordinary share, the Company used the Binomial option-pricing model to determine the fair value of the share options as at the grant date. Key assumptions are set as below:

	For the Year Ended December 31, 2021
Fair value per share (US$)	$ 25.02
Risk-free interest rate	1.44 %
Expected volatility	54.85%-55.51 %
Expected term (in years)	10
Dividend yield	0.00 %

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Share-based Compensation (Continued)

Valuation (Continued)

The expected volatility at the grant date and each option valuation date was estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable peer companies with a time horizon close to the expected expiry of the term of the options. The Company has never declared or paid any cash dividends on its capital stock, and the Group does not anticipate any dividend payments in the foreseeable future. Expected term is the contractual life of the options. The Group estimated the risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in US$ at the option valuation date.

The total expenses recognized in profit or loss in respect of the share-based compensation under the Plan was RMB541.0 million, RMB350.9 million and RMB115.4 million for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2023, total unrecognized compensation expenses under the Plan granted after 2013 were US$22.8 million, which is expected to be recognized over a weighted average period of 2.2 years.

15. Net Loss Per Share

Basic and diluted loss per share have been calculated in accordance with ASC260 for the years ended December 31, 2021, 2022 and 2023. Shares issuable for little consideration have been included in the number of outstanding shares used for basic loss per share.

	For the Year Ended December 31,		
	2021	2022	2023
Numerator (RMB in thousands):			
Net loss	(1,298,880)	(1,578,403)	(839,528)
Net income attributable to noncontrolling interests	—	(2,754)	(4,113)
Accretions of preferred shares to redemption value	(170,585)	—	—
Net loss attributable to ordinary shareholders	(1,469,465)	(1,581,157)	(843,641)
Denominator:			
Weighted average number of ordinary shares outstanding, basic	240,174,108	304,836,318	299,132,894
Weighted average number of ordinary shares outstanding, diluted	240,174,108	304,836,318	299,132,894
Net loss per share, basic (RMB)	(6.12)	(5.19)	(2.82)
Net loss per share, diluted (RMB)	(6.12)	(5.19)	(2.82)

Basic and diluted loss per ordinary share is computed using the weighted average number of ordinary shares outstanding during the year. Both Class A and Class B ordinary shares are included in the calculation of the weighted average number of ordinary shares outstanding, basic and diluted.

The following ordinary shares equivalents were excluded from the computation of dilutive net loss per share to eliminate any antidilutive effect:

	For the Year Ended December 31,		
	2021	2022	2023
Share options	24,368,217	5,144,513	3,130,720

16. Treasury Stock

On June 10, 2022, the Company's annual general meeting approved a share repurchase program of up to US$100 million in the next 12 months. The share repurchase program was extended for another 12 months until June 10, 2024, which was approved by the Company's annual general meeting held on June 30, 2023. As of December 31, 2023, the Company has repurchased a total of 26.3 million Class A ordinary shares on both the New York Stock Exchange and The Stock Exchange of Hong Kong Limited under the program for a total consideration of US$58.5 million (RMB417.3 million). As of December 31, 2023, the number of Class A Ordinary Shares in issue was reduced by 18.3 million shares as a result of the cancellation of the repurchased shares. In addition, as of December 31, 2023, the Company has repurchased a total of 5.3 million Class A ordinary shares for a total consideration of US$10.6 million (RMB75.2 million) to be utilized upon vesting of restricted shares in future.

17. Commitments and Contingencies

Commitments

Upon the adoption of ASC 842, future minimum lease payments for operating lease as of December 31, 2023 are disclosed in Note 8.

Litigation

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. Based on currently available information, management does not believe that the ultimate outcome of any unresolved matters, individually and in the aggregate, is reasonably possible to have a material adverse effect on the Group's financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis. The Group has not recorded any material liabilities in this regard as of December 31, 2022 and 2023.

18. Fair Value Measurement

(a) Assets and liabilities measured at fair value on a recurring basis

The following table sets forth the financial instruments, measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2023 (in thousands):

		Fair value measurement at reporting date using		
Items	Fair Value as of December 31, 2023	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)
	RMB	RMB	RMB	RMB
Assets				
Short-term investments	1,769,822	—	1,769,822	—
Liabilities				
Contingent consideration payables for acquisitions (current)	20,741	—	—	20,741
Contingent consideration payables for acquisitions (non-current)	112,902	—	—	112,902

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Fair Value Measurement (Continued)

(a) Assets and liabilities measured at fair value on a recurring basis (Continued)

The following table sets forth the financial instruments, measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2022 (in thousands):

		Fair value measurement at reporting date using		
Items	Fair Value as of December 31, 2022	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)
	RMB	RMB	RMB	RMB
Assets				
Short-term investments	787,259	—	787,259	—
Liabilities				
Contingent consideration payables for acquisitions (non-current)	38,940	—	—	38,940
Contingent consideration payables for acquisitions (non-current)	74,618	—	—	74,618

Short-term investments

As of December 31, 2022 and 2023, the Group's short-term investments consisted of wealth management products and structured deposits, the rates of interest under these investments were determined based on quoted rate of return provided by financial institutions at the end of each year. The Group classifies the valuation techniques that use these inputs as Level 2 of fair value measurement.

Contingent consideration payables for acquisitions

The Group's estimated liability for contingent consideration payables for our acquisitions measured at fair (see Note (22)). The contingent consideration payables are included in other current liabilities and other non-current liabilities on the consolidated balance sheets. The Group estimated the fair value of contingent consideration payables using an expected cash flow method with unobservable inputs of probabilities of successful achievements of certain specified conditions post- acquisition, and accordingly the Group classifies the valuation techniques that use these inputs as Level 3. For years ended December 31, 2021, 2022 and 2023, the Group recognized a loss of RMB4.0 million, RMB31.5 million and RMB5.2 million of fair value changes for the contingent consideration payables and recorded in fair value change of financial instruments in the statement of operations and comprehensive loss, respectively.

Other financial instruments

Trade receivables, amounts due from/to related parties and other current assets are financial assets with carrying values that approximate fair value due to their short-term nature. Accounts payable and accrued liabilities and other payables are financial liabilities with carrying values that approximate fair value due to their short-term nature.

(b) Assets and liabilities measured at fair value on a nonrecurring basis

The Group measures the equity investment accounted for using the equity method at fair value on a non-recurring basis only if an impairment charge was to be recognized. The equity investment accounted for using the measurement alternative is generally not categorized in the fair value hierarchy. As of December 31, 2022, the equity investment was measured using significant unobservable inputs (Level 3) and written down from its carrying value to fair value, considering the stage of development, the business plan, the financial condition, the sufficiency of funding and the operating performance of the investee company, with impairment charges incurred and recorded in earnings for the year ended December 31, 2022. And no measurement event occurred during the year ended December 31, 2023.The equity securities without readily determinable fair value were nil and RMB44.6 million as of December 31, 2022 and 2023. The Group recognized impairment charges of nil, RMB20.9 million and nil for the equity investment for the years ended December 31, 2021, 2022 and 2023, respectively.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Fair Value Measurement (Continued)

(b) Assets and liabilities measured at fair value on a nonrecurring basis (Continued)

The Group's other non-financial assets, such as intangible asset, goodwill, fixed assets and operating lease assets, are measured at fair value only if they are determined to be impaired. The inputs used to measure the estimated fair value of such assets are classified as Level 3 in the fair value hierarchy due to the significance of unobservable inputs used. No impairment charges of these assets arising from our acquisitions was recognized for the years ended December 31, 2021, 2022 and 2023.

19. Related Party Transactions

During the years presented, other than disclosed elsewhere, the Company mainly had the following related party transactions:

Names of the major related parties	Nature of relationship
Tencent Holdings Limited and its subsidiaries (the "Tencent Group")	A shareholder that has significant influence over the Group
Kuaishou Technology and its subsidiaries (the "Kuaishou Group")	A shareholder that has significant influence over the Group
Beijing Mianbi Intelligent Technology Co., Ltd. ("Mianbi") and its subsidiaries	An investee of the Group

(a) Significant transactions with related parties

The following table presents significant transactions with Tencent Group, Kuaishou Group and Mianbi for the years ended December 31, 2021, 2022 and 2023 (in thousands):

	For the Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Services purchased from related parties			
Tencent Group[(i)]	110,849	137,715	28,822
Kuaishou Group[(ii)]	2,179	14,373	10,837
Services provided to related parties			
Tencent Group[(iii)]	10,876	25,741	29,174
Kuaishou Group[(iii)]	7,864	14,779	5,437
Mianbi	—	—	536

(i) Services purchased from Tencent Group primarily related to cloud and bandwidth services.
(ii) Services purchased from Kuaishou Group primarily related to marketing services and cloud and bandwidth services.
(iii) Services provided to Tencent Group and Kuaishou Group primarily related to marketing services.

19. Related Party Transactions (Continued)

(b) Balances with related parties

The following table presents balances with Tencent Group, Kuaishou Group and Mianbi as of December 31, 2022 and 2023 (in thousands):

	As of December 31,	
	2022	2023
	RMB	RMB
Amount due from related parties		
Tencent Group	22,616	2,260
Kuaishou Group	2,182	2,492
Mianbi[(i)]	—	13,567
Amount due to related parties		
Tencent Group	19,081	7,237
Kuaishou Group	5,780	4,174
Mianbi[(ii)]	—	14,621

(i) The balance mainly represents expenditures paid by the Group on behalf of Mianbi.
(ii) The balance represents the long-term investment consideration payable to Mianbi, which is non-trade in nature.

Other than the amount due to Mianbi, the transactions and balances with related parties are all trade in nature.

20. Segment Information

The Group's organizational structure is based on a number of factors that the CODM uses to evaluate, view and run its business operations which include, but not limited to, customer base, products and technology. The Group's operating segments are based on such organizational structure and information reviewed by the Group's CODM to evaluate the operating segment results. The Group has internal reporting of revenue, cost and expenses by nature as a whole. Hence, the Group has only one operating segment.

Key revenue streams are as below (in thousands):

	For the Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Marketing services[(i)]	2,134,872	1,956,480	1,652,992
Paid membership service	668,507	1,230,804	1,826,557
Vocational training[(ii)]	45,823	248,266	565,585
Others	110,122	169,369	153,755
Total	2,959,324	3,604,919	4,198,889

(i) The Group reported revenues generated from advertising and content-commerce solutions collectively as "marketing services revenue" to better present the Group's business and results of operation in line with the Group's overall strategies during the year ended December 31, 2023, the revenue of marketing services for years ended December 31, 2021 and 2022 have been retrospectively re-classified.

(ii) The Group separately reported the revenue of its vocational training business during the year ended December 31, 2022, which was formerly included in "others," and for comparison purposes, the revenue of vocational training business and others for the year ended December 31, 2021 has been retrospectively re-classified.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Segment Information (Continued)

All revenues are derived from China based on the geographical locations where services are provided to customers. In addition, the Group's long-lived assets are substantially located in China, and the amount of long-lived assets attributable to any individual other country is not material. Therefore, no geographical segments are presented.

21. Restricted Net Assets

Relevant PRC laws and regulations permit PRC companies to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, the Company's PRC subsidiaries and VIEs can only distribute dividends upon approval of the shareholders after they have met the PRC requirements for appropriation to the general reserve fund and the statutory surplus fund respectively. The general reserve fund and the statutory surplus fund require that annual appropriations of 10% of net after-tax income should be set aside prior to payment of any dividends. As a result of these and other restrictions under PRC laws and regulations, the PRC subsidiaries and VIEs are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, with restricted portions amounted to approximately RMB3,054.1 million and RMB2,331.1 million of the Company's total consolidated net assets, as of December 31, 2022 and 2023, respectively. Even though the Company currently does not require any dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries, the VIEs and their subsidiaries to satisfy any obligations of the Company.

Furthermore, cash transfers from the Company's PRC subsidiaries to their parent companies outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may restrict the ability of the PRC subsidiaries and VIEs to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

22. Business combination

Prez Limited, a Cayman Islands company, through its subsidiaries and variable interest entity (collectively referred to as the "Pinzhi"), is a vocational training provider which mainly focuses on Chartered Financial Analyst and Certified Public Accountant examinations in the PRC. In July 2021, the Group acquired 55% of the equity interest in Pinzhi at an aggregate purchase price of RMB83.9 million, comprising cash and contingent consideration at fair value. Contingent consideration is subject to Pinzhi's future operating results and initially and subsequently measured at fair value through profit and loss, which was classified as a liability in consolidated balance sheets. The remaining 45% shares held by the founder is subject to a 5 years' service period. That is, if the founder left the Company within 5 years after the closing of the acquisition, Zhihu has the option to either exercise its redemption right or purchase the remaining 45% shares held by the founder without consideration. As such, the transaction was regarded as the Group has effectively acquired 100% of equity interests at the acquisition date with 45% equity interests granted to the founder as share-based compensation for the future service and a put option which was recognized as financial instruments measured at fair value.

22. Business combination (Continued)

The allocation of the purchase price as of the date of acquisition is summarized as follows (in thousands):

	RMB
Net liabilities acquired	(1,468)
Amortizable intangible assets	
Content	31,500
Brand name	13,000
Technology	1,600
Goodwill	50,833
Deferred tax liabilities	(11,525)
	83,940

Total purchase price comprised of (in thousands):

	RMB
Cash consideration	38,940
Contingent consideration at fair value	45,000
Total	83,940

Yincheng Limited, a Cayman Islands company, through its subsidiaries and variable interest entity (collectively referred to as the "Papa"), is a vocational training provider which mainly focuses on vocational language exam preparation courses, under the Papa brand. In November 2021, the Group acquired 55% of the equity interest in Papa at an aggregate purchase price of RMB35.6 million, comprising cash and contingent consideration at fair value. Contingent consideration is subject to Papa's future operating results and initially and subsequently measured at fair value through profit and loss, which was classified as a liability in consolidated balance sheets. The remaining 45% shares held by the founder is subject to a 6 years' service period. That is, if the founder left the Company within 6 years after the closing of the acquisition, Zhihu has the option to either exercise its redemption right or purchase the remaining 45% shares held by the founder without consideration. As such, the transaction was regarded as the Group has effectively acquired 100% of equity interests at the acquisition date with 45% equity interests granted to the founder as share-based compensation for the future service and a put option which was recognized as financial instruments measured at fair value.

The allocation of the purchase price as of the date of acquisition is summarized as follows (in thousands):

	RMB
Net assets acquired	1,945
Amortizable intangible assets	
Brand name	12,000
Technology	2,400
Goodwill	22,830
Deferred tax liabilities	(3,600)
	35,575

22. Business combination (Continued)

Total purchase price comprised of (in thousands):

	RMB
Cash consideration	19,875
Contingent consideration at fair value	15,700
Total	35,575

Goodwill arising from the above acquisitions was attributable to the synergies expected from the combined operations of Pinzhi and the Company as well as Papa and the Company in the vocational education sector in the PRC. The Company does not expect the goodwill recognized to be deductible for income tax purposes.

Pro forma results of operations for the Pinzhi and Papa have not been presented because they were not material to the consolidated statements of operations and comprehensive loss for the year ended December 31, 2021, either individually or in aggregate.

Beijing Pocket Gardener Technology Co., Ltd., a Chinese company, through its subsidiaries (collectively referred to as the "Yiqikao"), is a vocational training provider which mainly focuses on teacher qualification and recruitment tutoring courses, and civil servants examination tutoring courses. In September 2022, the Group acquired 51% of the equity interest in Yiqikao at an aggregate purchase price of RMB99.8 million, comprising cash and contingent consideration at fair value. Contingent consideration is subject to Yiqikao's future operating results and initially and subsequently measured at fair value through profit and loss, which was classified as a liability in consolidated balance sheets. The remaining 45.0% shares held by the founder is subject to a 4 years' service period. That is, if the founder left the Company within 4 years after the closing of the acquisition, Zhihu has the option to either exercise its redemption right or purchase the remaining 45.0% shares held by the founder without consideration. As such, the transaction was regarded as the Group has effectively acquired 96.0% of equity interests at the acquisition date with 45.0% equity interests granted to the founder as share-based compensation for the future service and a put option which was recognized as financial instruments measured at fair value.

The allocation of the purchase price as of the date of acquisition is summarized as follows (in thousands):

	RMB
Net assets acquired	12,624
Amortizable intangible assets	
Brand name	23,000
Content	6,800
Technology	3,500
Financial instruments arising from acquisition	8,700
Goodwill	52,444
Noncontrolling interests	(7,238)
	99,830

22. Business combination (Continued)

Total purchase price comprised of (in thousands):

	RMB
Cash consideration	66,530
Contingent consideration at fair value	33,300
Total	99,830

Goodwill arising from the above acquisition was attributable to the synergies expected from the combined operations of Yiqikao and the Company in the vocational education sector in the PRC. The Company does not expect the goodwill recognized to be deductible for income tax purposes.

Pro forma results of operations for Yiqikao have not been presented because they were not material to the consolidated statements of operations and comprehensive loss for the year ended December 31, 2022.

Xi'an Zhifeng Network Technology Co., Ltd. (referred to as "Xi'an Zhifeng"), a Chinese company, is a vocational training provider which mainly focuses on Master of Business Administration (the "MBA") examination tutoring courses. In April 2023, the Group acquired 51% of the equity interest in Xi'an Zhifeng at an contingent aggregate purchase price, which was initially accounted for at fair value of RMB104.3 million. Contingent consideration is subject to Xi'an Zhifeng's future operating results and subsequently measured at fair value through profit and loss, which was classified as a liability in consolidated balance sheets. The 34.0% shares held by the founder is subject to a 4 years' service period. That is, if the founder left the Company within 4 years after the closing of the acquisition, Zhihu has the option to either require the redemption of the shares by the founder or to purchase the remaining 34.0% shares held by the founder at nominal consideration. Moreover, Zhihu has the right to acquire the 34% equity interest held by the founder if certain performance targets are met by Xi'an Zhifeng at the price determined based on a pre-agreed formula. In addition, additional 11.4% shares are reserved to be awarded to employees of Xi'an Zhifeng in future. As such, the transaction was regarded as if the Group has effectively acquired 96.4% of equity interests at the acquisition date with 34.0% equity interests granted to the founder as share-based compensation for the future service and a put and a call option which are recognized as financial instruments measured at fair value. The remaining 3.6% of equity interests were accounted for as noncontrolling interests.

The allocation of the purchase price as of the date of acquisition is summarized as follows (in thousands):

	RMB
Net assets acquired	1,052
Amortizable intangible assets	
Brand name	43,000
Content	13,300
Technology	2,700
Financial instruments arising from acquisition	1,600
Goodwill	64,733
Deferred tax liabilities	(14,750)
Noncontrolling interests	(7,327)
	104,308

Goodwill arising from the above acquisition was attributable to the synergies expected from the combined operations of Xi'an Zhifeng and the Company in the vocational education sector in the PRC. The Company does not expect the goodwill recognized to be deductible for income tax purposes.

Pro forma results of operations for Xi'an Zhifeng have not been presented because they were not material to the consolidated statements of operations and comprehensive loss for the year ended December 31, 2023.

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Subsequent Event

No subsequent event which had a material impact on the Company was identified through the date of issuance of the financial statements.

24. Additional Information—Parent Company Only Condensed Financial Information

The Company performed a test on the restricted net assets of subsidiaries and VIE in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that the condensed financial information of the Company is required to be presented. The Company did not have significant capital and other commitments, or guarantees as of December 31, 2022 and 2023.

(a) Condensed balance sheets of Zhihu Inc.

	As of December 31,		
	2022	2023	2023
	RMB in thousands		US$ in thousands
ASSETS			
Current assets:			
Cash and cash equivalents	197,012	2,871	404
Term deposits	—	70,827	9,976
Amounts due from subsidiaries and VIEs and VIEs' subsidiaries	1,981	45,778	6,448
Prepayments and other current assets	7,651	19,277	2,715
Total current assets	**206,644**	**138,753**	**19,543**
Non-current assets:			
Investments in subsidiaries	5,527,483	4,578,292	644,840
Total non-current assets	**5,527,483**	**4,578,292**	**644,840**
Total assets	**5,734,127**	**4,717,045**	**664,383**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	4,841	11,344	1,598
Other current liabilities	16,925	46,226	6,511
Amounts due to subsidiaries and VIEs and VIEs' subsidiaries	58,665	59,665	8,404
Total current liabilities	**80,431**	**117,235**	**16,513**
Total liabilities	**80,431**	**117,235**	**16,513**
Shareholders' equity:			
Ordinary shares (US$0.000125 par value)	249	241	34
Treasury stock	(33,814)	(161,637)	(22,766)
Additional paid-in capital	13,615,042	13,487,371	1,899,657
Statutory reserve	—	2,680	378
Accumulated other comprehensive loss	(65,808)	(20,551)	(2,895)
Accumulated deficit	(7,861,973)	(8,708,294)	(1,226,538)
Total shareholders' equity	**5,653,696**	**4,599,810**	**647,870**
Total liabilities and shareholders' equity	**5,734,127**	**4,717,045**	**664,383**

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Additional Information—Parent Company Only Condensed Financial Information (Continued)

(b) Condensed statements of operations and comprehensive loss of Zhihu Inc.

	For the Year Ended December 31,			
	2021	2022	2023	2023
	RMB in thousands			US$in thousands
Operating expenses:				
General and administrative expenses	(30,019)	(79,908)	(45,625)	(6,426)
Total operating expenses	(30,019)	(79,908)	(45,625)	(6,426)
Loss from operations	**(30,019)**	**(79,908)**	**(45,625)**	**(6,426)**
Other (expenses)/income:				
Interest income	123	1,027	5,105	719
Exchange (losses)/ gains	(523)	516	138	19
Share of loss of subsidiaries	(1,268,461)	(1,502,792)	(816,004)	(114,932)
Others, net	—	—	12,745	1,796
Net loss	**(1,298,880)**	**(1,581,157)**	**(843,641)**	**(118,824)**
Accretions of convertible redeemable preferred shares to redemption value	(170,585)	—	—	—
Net loss attributable to Zhihu Inc.'s shareholders	**(1,469,465)**	**(1,581,157)**	**(843,641)**	**(118,824)**
Net loss	(1,298,880)	(1,581,157)	(843,641)	(118,824)
Other comprehensive (loss)/income:				
Foreign currency translation adjustments	(143,190)	273,310	45,257	6,374
Total other comprehensive (loss)/income	**(143,190)**	**273,310**	**45,257**	**6,374**
Total comprehensive loss	**(1,442,070)**	**(1,307,847)**	**(798,384)**	**(112,450)**
Accretions of convertible redeemable preferred shares to redemption value	(170,585)	—	—	—
Comprehensive loss attributable to Zhihu Inc.'s shareholders	**(1,612,655)**	**(1,307,847)**	**(798,384)**	**(112,450)**

Zhihu Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Additional Information—Parent Company Only Condensed Financial Information (Continued)

(c) Condensed statements of cash flows of Zhihu Inc.

	For the Year Ended December 31,			
	2021	2022	2023	2023
	RMB in thousands			US$ in thousands
Net cash used in operating activities	(3,182)	(51,752)	(44,388)	(6,252)
Purchases of term deposits	(64,596)	—	(72,054)	(10,149)
Proceeds from withdrawal of term deposits	64,707	—	—	—
Repayment from subsidiaries of investment	—	256,942	284,017	40,003
Investment in subsidiaries	(4,695,120)	—	—	—
Investment in equity investments	(19,380)	—	—	—
Net cash (used in)/provided by investing activities	(4,714,389)	256,942	211,963	29,854
Proceeds from issuance of Class A ordinary shares upon the completion of IPO, net of issuance cost	4,853,293	—	—	—
Proceeds received from employees in relation to share options	15,544	19,612	4,513	636
Payments for repurchase of shares	—	(127,962)	(369,569)	(52,053)
Net cash provided by/(used in) financing activities	4,868,837	(108,350)	(365,056)	(51,417)
Effect of exchange rate changes on cash and cash equivalents	(63,673)	5,745	3,340	470
Net increase/(decrease) in cash and cash equivalents	**87,593**	**102,585**	**(194,141)**	**(27,345)**
Cash and cash equivalents at beginning of year	**6,834**	**94,427**	**197,012**	**27,749**
Cash and cash equivalents at ending of year	**94,427**	**197,012**	**2,871**	**404**

Description of Rights of Each Class of Securities

Registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act")

American Depositary Shares ("ADSs"), two of which representing one Class A ordinary share of Zhihu Inc. ("we," "our," "our company," or "us") are listed on the New York Stock Exchange and the shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of Class A ordinary shares and (ii) the holders of ADSs. Class A ordinary shares underlying the ADSs are held by JPMorgan Chase Bank, N.A., as depositary, and holders of ADSs will not be treated as holders of the Class A ordinary shares.

Description of Class A Ordinary Shares

The following is a summary of material provisions of our currently effective eleventh amended and restated memorandum and articles of association (the "Memorandum and Articles of Association"), as well as the Companies Act (As Revised) of the Cayman Islands (the "Companies Act") insofar as they relate to the material terms of our ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which has been furnished with the SEC as an exhibit to our Form 6-K (File No. 001-40253).

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each Class A ordinary share has US$0.000125 par value. The number of issued and outstanding Class A ordinary shares as of the last day of our company's respective fiscal year is provided on the cover of the annual report on Form 20-F (the "Form 20-F") of our company. Our Class A ordinary shares may be held in either certificated or uncertificated form.

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our shareholders do not have preemptive rights.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

We have a dual-class voting structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. On a poll, each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to the vote at general meetings of our company, and each Class B ordinary share shall entitle the holder thereof to ten votes on all matters subject to the vote at general meetings of our company. Due to the super voting power of Class B ordinary share holder, the voting power of the Class A ordinary shares may be materially limited.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Class A Ordinary Shares (Item 10.B.3 of Form 20-F)

Classes of Ordinary Shares

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Except for conversion rights and voting rights, the Class A ordinary shares and Class B ordinary shares shall carry equal rights and rank pari passu with one another, including but not limited to the rights to dividends (subject to the ability of the board of directors, under our Memorandum and Articles of Association, to determine that a dividend shall be paid wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company) and to settle all questions concerning such distribution (including fixing the value of such assets, determining that cash payment shall be made to some shareholders in lieu of specific assets and vesting any such specific assets in trustees on such terms as the directors think fit)) and other capital distributions.

Conversion

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Class B Ordinary Shares shall only be held by Mr. Yuan Zhou or a director holding vehicle as defined in our eleventh amended and restated memorandum of association. Subject to the Hong Kong Listing Rules or other applicable laws or regulations, each Class B ordinary share shall be automatically converted into one Class A ordinary share upon the occurrence of any of the following events:

- the death of the holder of such Class B ordinary share (or, where the holder is a director holding vehicle, the death of Mr. Yuan Zhou);
- the holder of such Class B ordinary share ceasing to be a director or a director holding vehicle for any reason;
- the holder of such Class B ordinary share (or, where the holder is a director holding vehicle, Mr. Yuan Zhou) being deemed by The Stock Exchange of Hong Kong Limited to be incapacitated for the purpose of performing his duties as a director;
- the holder of such Class B ordinary share (or, where the holder is a director holding vehicle, Mr. Yuan Zhou) being deemed by The Stock Exchange of Hong Kong Limited to no longer meet the requirements of a director set out in the Hong Kong Listing Rules; or
- any direct or indirect sale, transfer, assignment, or disposition of the beneficial ownership of, or economic interest in, such Class B ordinary share or the control over the voting rights attached to such Class B ordinary share through voting proxy or otherwise to any person, including by reason that a director holding vehicle no longer complies with Rule 8A.18(2) of the Hong Kong Listing Rules (in which case we and Mr. Yuan Zhou or the director holding vehicle must notify The Stock Exchange of Hong Kong Limited as soon as practicable with details of the non-compliance), other than a transfer of the legal title to such Class B ordinary share by Mr. Yuan Zhou to a director holding vehicle wholly-owned and wholly controlled by him, or by a director holding vehicle to Mr. Yuan Zhou or another director holding vehicle wholly-owned and wholly controlled by Mr. Yuan Zhou.

For the avoidance of doubt, the creation of any pledge, charge, encumbrance, or other third party right of whatever description on any of Class B ordinary shares to secure a holder's contractual or legal obligations shall not be deemed as a sale, transfer, assignment, or disposition under this Article 14 unless and until any such pledge, charge, encumbrance, or other third party right is enforced and results in a third party that is not Mr. Yuan Zhou or the director holding vehicle wholly-owned and wholly controlled by Mr. Yuan Zhou holding directly or indirectly legal or beneficial ownership or voting power through voting proxy or otherwise to the related Class B ordinary shares, in which case all the related Class B ordinary shares shall be automatically converted into the same number of Class A ordinary shares. All of the Class B ordinary shares in the authorised share capital shall be automatically re-designated into Class A ordinary shares in the event all of the Class B ordinary shares in issue are converted into Class A ordinary shares, or that none of the holders of Class B ordinary shares at the time of our initial listing on The Stock Exchange of Hong Kong Limited hold any Class B ordinary shares, and no further Class B ordinary shares shall be issued by us.

Dividends

Our directors may from time to time declare dividends (including interim dividends) and other distributions on our shares in issue and authorize payment of the same out of the funds of our company lawfully available therefor. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend may exceed the amount recommended by our directors. Our Memorandum and Articles of Association provide that dividends may be declared and paid out of the funds of our company lawfully available therefor. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account; provided that in no circumstances may a dividend be paid if that would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

In respect of all matters subject to a shareholders' vote, on a show of hands every shareholder present at the meeting shall, at a general meeting of our company, each have one vote, and on a poll each holder of Class A ordinary shares is entitled to one vote per share and each holder of Class B ordinary shares is entitled to ten votes per share on all matters subject to vote at our general meetings. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. At any general meeting a resolution put to the vote of the meeting shall be decided on a poll save that the chairman of such meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Hong Kong Listing Rules to be voted on by a show of hands.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than three-fourths of the votes cast attaching to the issued and outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our Memorandum and Articles of Association. Our shareholders may, among other things, divide or combine their shares by ordinary resolution.

Transfer of Ordinary Shares

Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as New York Stock Exchange may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they must, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on ten calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the rules of the New York Stock Exchange be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine; provided, however, that the registration of transfers may not be suspended nor the register closed for more than 30 days in any year as our board may determine.

Liquidation

On the winding up of our company, if the assets available for distribution amongst our shareholders will be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, such assets will be distributed so that, as nearly as may be, the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares.

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 calendar days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by our shareholders by special resolution. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders, provided always that any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by The Stock Exchange of Hong Kong Limited or the Securities and Futures Commission of Hong Kong from time to time in force. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Requirements to Change the Rights of Holders of Class A Ordinary Shares (Item 10.B.4 of Form 20-F)

Variations of Rights of Shares

Whenever the capital of our company is divided into different classes, the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied with the consent in writing of the holders of all of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation, allotment, or issue of further shares ranking *pari passu* with such existing class of shares.

Limitations on the Rights to Own Class A Ordinary Shares (Item 10.B.6 of Form 20-F)

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote Class A ordinary shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-Takeover Provisions in the Memorandum and Articles of Association. Some provisions of our Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our Memorandum and Articles of Association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions under Cayman Islands law applicable to the Company, or under the Memorandum and Articles of Association, that require the Company to disclose shareholder ownership above any particular ownership threshold.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments, and accordingly there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) "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 (ii) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (i) a special resolution of the shareholders of each constituent company, and (ii) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the surviving or consolidated 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. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose, a company is a "parent" of a subsidiary if it holds issued shares that together represent at least 90% of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation; provided that the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement; provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholders upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted in accordance with the foregoing statutory procedures, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits. In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected to follow and apply the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) that a non-controlling shareholder may be permitted to commence a class action against, or derivative actions in the name of, our company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Indemnification of Directors and Executive Officers and Limitation of Liability. Cayman Islands law does not limit the extent to which a company's memorandum and 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, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Memorandum and Articles of Association provide that we shall indemnify our directors and officers, against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person's dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our Memorandum and Articles of Association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved toward an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our Memorandum and Articles of Association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders; provided that it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Memorandum and Articles of Association provide that upon the requisition of any one or more of our shareholders holding shares which carry in aggregate not less than one-tenth of the paid up capital of our company, on a one vote per share basis, that as at the date of the deposit entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our Memorandum and Articles of Association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obliged by law to call shareholders' annual general meetings. Our Memorandum and Articles of Association provide that we shall in each financial year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our directors.

Cumulative Voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands, but our Memorandum and Articles of Association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, directors may be removed by an ordinary resolution of our shareholders. A director will also cease to be a director if he (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

Transactions with Interested Shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting shares within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, the directors of our company are required to comply with fiduciary duties which they owe to our

company under Cayman Islands laws, including the duty to ensure that, in their opinion, any such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by either an order of the courts of the Cayman Islands or by the board of directors.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Act and our Memorandum and Articles of Association, our company may be dissolved, liquidated, or wound up by a special resolution of our shareholders.

Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our Memorandum and Articles of Association, if our share capital is divided into more than one class of shares, the rights attached to any such class may only be materially adversely varied with the consent in writing of the holders of all of the issued shares of that class or with the sanction of ordinary special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act and our Memorandum and Articles of Association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

Rights of Non-resident or Foreign Shareholders. There are no limitations imposed by our Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our Memorandum and Articles of Association that require our company to disclose shareholder ownership above any particular ownership threshold.

Changes in Capital (Item 10.B.10 of Form 20-F)

Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or
- 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 our share capital by the amount of the shares so canceled.

Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

JPMorgan Chase Bank, N.A. ("JPMorgan"), as depositary issues the ADSs. Each ADS represents an ownership interest in a designated number of shares which we deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary, yourself as an ADR holder and all other ADR holders, and all beneficial owners of an interest in the ADSs evidenced by ADRs from time to time.

The depositary's office is located at 383 Madison Avenue, Floor 11, New York, NY 10179.

The ADS to share ratio is subject to amendment as provided in the form of ADR (which may give rise to fees contemplated by the form of ADR). In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you.

A beneficial owner is any person or entity having a beneficial ownership interest in ADSs. A beneficial owner need not be the holder of the ADR evidencing such ADS. If a beneficial owner of ADSs is not an ADR holder, it must rely on the holder of the ADR(s) evidencing such ADSs in order to assert any rights or receive any benefits under the deposit agreement. A beneficial owner shall only be able to exercise any right or receive any benefit under the deposit agreement solely through the holder of the ADR(s) evidencing the ADSs owned by such beneficial owner. The arrangements between a beneficial owner of ADSs and the holder of the corresponding ADRs may affect the beneficial owner's ability to exercise any rights it may have.

An ADR holder shall be deemed to have all requisite authority to act on behalf of any and all beneficial owners of the ADSs evidenced by the ADRs registered in such ADR holder's name for all purposes under the deposit agreement and ADRs. The depositary's only notification obligations under the deposit agreement and the ADRs is to registered ADR holders. Notice to an ADR holder shall be deemed, for all purposes of the deposit agreement and the ADRs, to constitute notice to any and all beneficial owners of the ADSs evidenced by such ADR holder's ADRs.

Unless certificated ADRs are specifically requested, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder or beneficial owner, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Island law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder or of a beneficial owner. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all holders and beneficial owners from time to time of ADRs issued under the deposit agreement and, in the case of a beneficial owner, from the arrangements between the beneficial owner and the holder of the corresponding ADRs. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms a part. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. You may also find the registration statement and the attached deposit agreement on the SEC's website at http://www.sec.gov.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars (if it determines such conversion may be made on a reasonable basis) and, in all cases, making any necessary deductions provided for in the deposit agreement. The depositary may utilize a division, branch or affiliate of JPMorgan to direct, manage, and/or execute any public and/or private sale of securities under the deposit agreement. Such division, branch, and/or affiliate may charge the depositary a fee in connection with such sales, which fee is considered an expense of the depositary. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- *Cash.* The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's and/or its agents' expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time, and (4) making any sale by public or private means in any commercially reasonable manner. *If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.*

- *Shares.* In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.

- *Rights to Purchase Additional Shares.* In the case of a distribution of rights to subscribe for additional shares or other rights, if we timely provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not timely furnish such evidence, the depositary may:

(i) sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or

(ii) if it is not practicable to sell such rights by reason of the non-transferability of the rights, limited markets therefor, their short duration or otherwise, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing and the rights may lapse.

- *Other Distribution.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines in its discretion that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it fails to determine that any distribution or action is lawful or reasonably practicable.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period. All purchases and sales of securities will be handled by the depositary in accordance with its then current policies, which are currently set forth on the "Disclosures" page (or successor page) of www.adr.com (as updated by the depositary from time to time, "ADR.com").

Deposit, Withdrawal, and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of JPMorgan Chase Bank, N.A., as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account and to the order of the depositary, in each case for the benefit of ADR holders. ADR holders and beneficial owners thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as "deposited securities".

Deposited securities are not intended to, and shall not, constitute proprietary assets of the depositary, the custodian or their nominees. Beneficial ownership in deposited securities is intended to be, and shall at all times during the term of the deposit agreement continue to be, vested in the beneficial owners of the ADSs representing such deposited securities. Notwithstanding anything else contained herein, in the deposit agreement, in the form of ADR and/or in any outstanding ADSs, the depositary, the custodian and their respective nominees are intended to be, and shall at all times during the term of the deposit agreement be, the record holder(s) only of the deposited securities represented by the ADSs for the benefit of the ADR holders. The depositary, on its own behalf and on behalf of the custodian and their respective nominees, disclaims any beneficial ownership interest in the deposited securities held on behalf of the ADR holders.

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder's name. An ADR holder can request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary's office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges, and taxes, deliver the underlying shares to you or upon your written order. Delivery of deposited securities in certificated form will be made at the custodian's office. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes, and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates (which, to the extent applicable, shall be as near as practicable to any corresponding record dates set by us) for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of deposited securities,
- to give instructions for the exercise of voting rights at a meeting of holders of shares, or
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR,
- to receive any notice or to act in respect of other matters,

all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receipt from us of notice of any meeting at which the holders of shares are entitled to vote, or of our solicitation of consents or proxies from holders of shares, the depositary shall fix the ADS record date in accordance with the provisions of the deposit agreement, provided that if the depositary receives a written request from us in a timely manner and at least 30 days prior to the date of such vote or meeting, the depositary shall, at our expense, distribute to the registered ADR holders a "voting notice" stating (i) final information particular to such vote and meeting and any solicitation materials, (ii) that each ADR holder on the record date set by the depositary will, subject to any applicable provisions of Cayman Islands law, be entitled to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the deposited securities represented by the ADSs evidenced by such ADR holder's ADRs, and (iii) the manner in which such instructions may be given or deemed to be given pursuant to the terms of the deposit agreement, including instructions for giving a discretionary proxy to a person designated by us. Each ADR holder shall be solely responsible for the forwarding of voting notices to the beneficial owners of ADSs registered in such ADR holder's name. There is no guarantee that ADR holders and beneficial owners generally or any holder or beneficial owner in particular will receive the notice described above with sufficient time to enable such ADR holder or beneficial owner to return any voting instructions to the depositary in a timely manner.

Following actual receipt by the ADR department responsible for proxies and voting of ADR holders' instructions (including, without limitation, instructions of any entity or entities acting on behalf of the nominee for DTC), the depositary shall, in the manner and on or before the time established by the depositary for such purpose, endeavor to vote or cause to be voted the deposited securities represented by the ADSs evidenced by such ADR holders' ADRs in accordance with such instructions insofar as practicable and permitted under the provisions of or governing deposited securities.

To the extent that (i) we have provided the depositary with at least 35 days' notice of the proposed meeting, (ii) the voting notice will be received by all ADR holders and beneficial owners no less than 10 days prior to the date of the meeting and/or the cut-off date for the solicitation of consents, and (iii) the depositary does not receive instructions on a particular agenda item from an ADR holder (including, without limitation, any entity or entities acting on behalf of the nominee for DTC) in a timely manner, such ADR holder shall be deemed, and in the deposit agreement the depositary is instructed to deem such ADR holder, to have instructed the depositary to give a discretionary proxy for such agenda item(s) to a person designated by us to vote the deposited securities represented by the ADSs for which actual instructions were not so given by all such ADR holders on such agenda item(s), provided that no such instruction shall be deemed given and no discretionary proxy shall be given unless (1) we inform the depositary in writing (and we agree to provide the depositary with such instruction promptly in writing) that (a) we wish such proxy to be given with respect to such agenda item(s), (b) there is no substantial opposition existing with respect to such agenda item(s), and (c) such agenda item(s), if approved, would not materially or adversely affect the rights of holders of shares, and (2) the depositary has obtained an opinion of counsel, in form and substance satisfactory to the depositary, confirming that (A) the granting of such discretionary proxy does not subject the depositary to any reporting obligations in the Cayman Islands, (B) the granting of such proxy will not result in a violation of the laws, rules, regulations or permits of the Cayman Islands, (C) the voting arrangement and deemed instruction as contemplated herein will be given effect under the laws, rules, and regulations of the Cayman Islands, and (D) the granting of such discretionary proxy will not under any circumstances result in the shares represented by the ADSs being treated as assets of the depositary under the laws, rules or regulations of the Cayman Islands.

The depositary may from time to time access information available to it to consider whether any of the circumstances described above exist, or request additional information from us in respect thereto. By taking any such action, the depositary shall not in any way be deemed or inferred to have been required, or have had any duty or responsibility (contractual or otherwise), to monitor or inquire whether any of the circumstances described above existed. In addition to the limitations provided for in the deposit agreement, ADR holders and beneficial owners are advised and agree that (a) the depositary will rely fully and exclusively on us to inform it of any of the circumstances set forth above, and (b) neither the depositary, the custodian nor any of their respective agents shall be obliged to inquire or investigate whether any of the circumstances described above exist and/or whether we complied with our obligation to timely inform the depositary of such circumstances. Neither the depositary, the custodian nor any of their respective agents shall incur any liability to ADR holders or beneficial owners (i) as a result of our failure to determine that any of the circumstances described above exist or our failure to timely notify the depositary of any such circumstances or (ii) if any agenda item which is approved at a meeting has, or is claimed to have, a material or adverse effect on the rights of holders of shares. Because there is no guarantee that ADR holders and beneficial owners will receive the notices described above with sufficient time to enable such ADR holders or beneficial owners to return any voting instructions to the depositary in a timely manner, ADR holders and beneficial owners may be deemed to have instructed the depositary to give a discretionary proxy to a person designated by us in such circumstances, and neither the depositary, the custodian nor any of their respective agents shall incur any liability to ADR holders or beneficial owners in such circumstances.

ADR holders are strongly encouraged to forward their voting instructions to the depositary as soon as possible. For instructions to be valid, the ADR department of the depositary that is responsible for proxies and voting must receive them in the manner and on or before the time specified, notwithstanding that such instructions may have been physically received by the depositary prior to such time. The depositary will not itself exercise any voting discretion in respect of deposited securities. The depositary and its agents will not be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any voting instructions are given or deemed to be given in accordance with the terms of the deposit agreement, including instructions to give a discretionary proxy to a person designated by us, for the manner in which any vote is cast, including, without limitation, any vote cast by a person to whom the depositary is instructed to grant a discretionary proxy (or deemed to have been instructed pursuant to the terms of the deposit agreement), or for the effect of any such vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by any law, regulation, or requirement of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of or solicitation of consents or proxies from holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such ADR holders with or otherwise publicizes to such ADR holders instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

We have advised the depositary that under Cayman Islands law and our constituent documents, each as in effect as of the date of the deposit agreement, voting at any meeting of shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will refrain from voting and the voting instructions received by the depositary from ADR holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by ADR holders or beneficial owners.

There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Reports and Other Communications

Will ADR holders be able to view our reports?

The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities, or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, $5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, or upon which a share distribution or elective distribution is made or offered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights, and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall also be incurred by the ADR holders, the beneficial owners, by any party depositing or withdrawing shares or by any party surrendering ADSs and/or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of US$0.05 or less per ADS held for any cash distribution made, or for any elective cash/stock dividend offered, pursuant to the deposit agreement;
- an aggregate fee of US$0.05 or less per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges, and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of ADR holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against ADR holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such ADR holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the $0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those ADR holders entitled thereto;

- stock transfer or other taxes and other governmental charges;
- cable, telex, and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares, ADRs or deposited securities;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- fees of any division, branch or affiliate of the depositary utilized by the depositary to direct, manage, and/or execute any public and/or private sale of securities under the deposit agreement.

To facilitate the administration of various depositary receipt transactions, including disbursement of dividends or other cash distributions and other corporate actions, the depositary may engage the foreign exchange desk within JPMorgan Chase Bank, N.A. (the "**Bank**") and/or its affiliates in order to enter into spot foreign exchange transactions to convert foreign currency into U.S. dollars. For certain currencies, foreign exchange transactions are entered into with the Bank or an affiliate, as the case may be, acting in a principal capacity. For other currencies, foreign exchange transactions are routed directly to and managed by an unaffiliated local custodian (or other third party local liquidity provider), and neither the Bank nor any of its affiliates is a party to such foreign exchange transactions.

The foreign exchange rate applied to an foreign exchange transaction will be either (a) a published benchmark rate, or (b) a rate determined by a third party local liquidity provider, in each case plus or minus a spread, as applicable. The depositary will disclose which foreign exchange rate and spread, if any, apply to such currency on the "Disclosures" page (or successor page) of ADR.com. Such applicable foreign exchange rate and spread may (and neither the depositary, the Bank nor any of their affiliates is under any obligation to ensure that such rate does not) differ from rates and spreads at which comparable transactions are entered into with other customers or the range of foreign exchange rates and spreads at which the Bank or any of its affiliates enters into foreign exchange transactions in the relevant currency pair on the date of the foreign exchange transaction. Additionally, the timing of execution of an foreign exchange transaction varies according to local market dynamics, which may include regulatory requirements, market hours and liquidity in the foreign exchange market or other factors. Furthermore, the Bank and its affiliates may manage the associated risks of their position in the market in a manner they deem appropriate without regard to the impact of such activities on the depositary, us, holders or beneficial owners. *The spread applied does not reflect any gains or losses that may be earned or incurred by the Bank and its affiliates as a result of risk management or other hedging related activity.*

Notwithstanding the foregoing, to the extent we provide U.S. dollars to the depositary, neither the Bank nor any of its affiliates will execute a foreign exchange transaction as set forth herein. In such case, the depositary will distribute the U.S. dollars received from us.

Further details relating to the applicable foreign exchange rate, the applicable spread and the execution of foreign exchange transactions will be provided by the depositary on ADR.com. Each holder and beneficial owner by holding or owning an ADR or ADS or an interest therein, and we, each acknowledge and agree that the terms applicable to foreign exchange transactions disclosed from time to time on ADR.com will apply to any foreign exchange transaction executed pursuant to the deposit agreement.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary.

The right of the depositary to receive payment of fees, charges, and expenses survives the termination of the deposit agreement, and shall extend for those fees, charges, and expenses incurred prior to the effectiveness of any resignation or removal of the depositary.

The fees and charges described above may be amended from time to time by agreement between us and the depositary.

The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to ADR holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

Payment of Taxes

ADR holders or beneficial owners must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, including, without limitation, any Chinese Enterprise Income Tax owing if the Circular Guoshuifa [2009] No. 82 issued by the Chinese State Administration of Taxation (SAT) or any other circular, edict, order or ruling, as issued and as from time to time amended, is applied or otherwise, such tax or other governmental charge shall be paid by the ADR holder thereof to the depositary and by holding or owning, or having held or owned, an ADR or any ADSs evidenced thereby, the ADR holder and all beneficial owners thereof, and all prior ADR holders and beneficial owners thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect of such tax or other governmental charge. Notwithstanding the depositary's right to seek payment from current and former beneficial owners, by holding or owning, or having held or owned, an ADR, the ADR holder thereof (and prior ADR holder thereof) acknowledges and agrees that the depositary has no obligation to seek payment of amounts owing from any current or former beneficial owner. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the

ADR holder remains liable for any shortfall. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) in such amounts and in such manner as the depositary deems necessary and practicable to pay such taxes and distribute any remaining net proceeds or the balance of any such property after deduction of such taxes to the ADR holders entitled thereto.

As an ADR holder or beneficial owner, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective officers, directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Reclassifications, Recapitalizations, and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions of shares or other property not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to, and shall if reasonably requested by us:

- amend the form of ADR;
- distribute additional or amended ADRs;
- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received and distribute the proceeds as cash; or
- none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days' notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, SWIFT, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders or beneficial owners. Such notice need not describe in detail the specific amendments effectuated thereby, but must identify to ADR holders and beneficial owners a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder and any beneficial owner are deemed to agree to such amendment and to be bound by the deposit agreement as so amended. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

Any amendments or supplements which (i) are reasonably necessary (as agreed by us and the depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act of 1933 or (b) the ADSs or shares to be traded solely in electronic book-entry form and (ii) do not in either such case impose or increase any fees or charges to be borne by ADR holders, shall be deemed not to prejudice any substantial rights of ADR holders or beneficial owners. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the deposit agreement in such circumstances may become effective before a notice of such amendment or supplement is given to ADR holders or within any other period of time as required for compliance.

Notice of any amendment to the deposit agreement or form of ADRs shall not need to describe in detail the specific amendments effectuated thereby, and failure to describe the specific amendments in any such notice shall not render such notice invalid, provided, however, that, in each such case, the notice given to the ADR holders identifies a means for ADR holders and beneficial owners to retrieve or receive the text of such amendment (i.e., upon retrieval from the SEC's, the depositary's or our website or upon request from the depositary).

How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered ADR holders unless a successor depositary shall not be operating under the deposit agreement within 60 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 60th day after our notice of removal was first provided to the depositary.

If the shares are not listed or quoted for trading on a stock exchange or in a securities market as of the date so fixed for termination, then after such date fixed for termination (i) all direct registration ADRs shall cease to be eligible for the direct registration system and shall be considered ADRs issued on the ADR register maintained by the depositary and (ii) the depositary shall use its reasonable efforts to ensure that the ADSs cease to be DTC eligible so that neither DTC nor any of its nominees shall thereafter be a holder of ADRs. At such time as the ADSs cease to be DTC eligible and/or neither DTC nor any of its nominees is a

holder of ADRs, the depositary shall (i) instruct its custodian to deliver all shares and/or deposited securities to us along with a general stock power that refers to the names set forth on the ADR register maintained by the depositary and (ii) provide us with a copy of the ADR register maintained by the depositary. Upon receipt of such shares and/or deposited securities and the ADR register maintained by the depositary, we have agreed to use our best efforts to issue to each register ADR holder a share certificate representing the shares represented by the ADSs reflected on the ADR register maintained by the depositary in such registered ADR holder's name and to deliver such share certificate to the registered ADR holder at the address set forth on the ADR register maintained by the depositary. After providing such instruction to the custodian and delivering a copy of the ADR register to us, the depositary, and its agents will perform no further acts under the deposit agreement or the ADRs and shall cease to have any obligations under the deposit agreement and/or the ADRs. After we receive the copy of the ADR register and the shares and/or deposited securities from the depositary, we shall be discharged from all obligations under the deposit agreement except (i) to distribute the shares to the registered ADR holders entitled thereto and (ii) for its obligations to the depositary and its agents.

If the shares are listed or quoted for trading on a stock exchange or in a securities market as of the date so fixed for termination, then instead of the provisions in the prior paragraph, after the date so fixed for termination, the depositary and its agents will perform no further acts under the deposit agreement or the ADRs, except to receive and hold (or sell) distributions on shares and/or deposited securities and deliver shares and/or deposited securities being withdrawn. As soon as practicable after the date so fixed for termination, the depositary has agreed to use its reasonable efforts to sell the shares and/or deposited securities and shall thereafter (as long as it may lawfully do so) hold in an account (which may be a segregated or unsegregated account) the net proceeds of such sales, together with any other cash then held by it under the deposit agreement, without liability for interest, in trust for the pro rata benefit of the registered ADR holders not theretofore surrendered. After making such sale, the depositary shall be discharged from all obligations in respect of the deposit agreement and the ADRs, except to account for such net proceeds and other cash. After the date so fixed for termination, we shall be discharged from all obligations under the deposit agreement except for our obligations to the depositary and its agents.

Notwithstanding anything to the contrary, in connection with any such termination, the depositary may, in its sole discretion and without notice to us, establish an unsponsored American depositary share program (on such terms as the depositary may determine) for our shares and make available to ADR holders a means to withdraw the shares represented by the ADSs issued under the deposit agreement and to direct the deposit of such shares into such unsponsored American depositary share program, subject, in each case, to receipt by the depositary, at its discretion, of the fees, charges, and expenses provided for under the deposit agreement and the fees, charges, and expenses applicable to the unsponsored American depositary share program.

Limitations on Obligations and Liability to ADR holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancelation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time in the case of the production of proofs as described below, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial or other ownership of, or interest in, any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdraw shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents, provided, however, that no disclaimer of liability under the Securities Act of 1933 is intended by any of the limitations of liabilities provisions of the deposit agreement. The deposit agreement provides that each of us, the depositary and our respective agents will:

- incur or assume no liability (including, without limitation, to holders or beneficial owners) if any present or future law, rule, regulation, fiat, order or decree of the Cayman Islands, Hong Kong, the People's Republic of China, the United States or any other country or jurisdiction, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism, epidemic, pandemic, nationalization, expropriation, currency restrictions, work stoppage, strike, civil unrest, revolutions, rebellions, explosions, computer failure, or circumstance beyond our, the depositary's, or our respective agents' direct and immediate control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);
- incur or assume no liability (including, without limitation, to holders or beneficial owners) by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or things which by the terms of the deposit agreement it is provided shall or may be done or performed or any exercise or failure to exercise discretion under the deposit agreement or the ADRs including, without limitation, any failure to determine that any distribution or action may be lawful or reasonably practicable;

- incur or assume no liability (including, without limitation, to holders or beneficial owners) if it performs its obligations under the deposit agreement and ADRs without gross negligence or willful misconduct;
- in the case of the depositary and its agents, be under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities the ADSs or the ADRs;
- in the case of us and our agents, be under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities the ADSs or the ADRs, which in our or our agents' opinion, as the case may be, may involve it in expense or liability, unless indemnity satisfactory to us or our agent, as the case may be against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be requested;
- not be liable (including, without limitation, to holders or beneficial owners) for any action or inaction by it in reliance upon the advice of or information from any legal counsel, any accountant, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information and/or, in the case of the depositary, us; or
- may rely and shall be protected in acting upon any written notice, request, direction, instruction or document believed by it to be genuine and to have been signed, presented or given by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities, the ADSs or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities, the ADSs or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by, or the insolvency of, any securities depository, clearing agency or settlement system. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan. Notwithstanding anything to the contrary contained in the deposit agreement or any ADRs, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the custodian except to the extent that any registered ADR holder has incurred liability directly as a result of the custodian having (i) committed fraud or willful misconduct in the provision of custodial services to the depositary or (ii) failed to use reasonable care in the provision of custodial services to the depositary as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located. The depositary and the custodian(s) may use third party delivery services and providers of information regarding matters such as, but not limited to, pricing, proxy voting, corporate actions, class action litigation, and other services in connection with the ADRs and the deposit agreement, and use local agents to provide services such as, but not limited to, attendance at any meetings of security holders of issuers. Although the depositary and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services. The depositary shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale.

The depositary has no obligation to inform ADR holders or beneficial owners about the requirements of the laws, rules or regulations or any changes therein or thereto of the Cayman Islands, Hong Kong, the People's Republic of China, the United States or any other country or jurisdiction or of any governmental or regulatory authority or any securities exchange or market or automated quotation system.

Additionally, none of the depositary, the custodian or us, or any of their or our respective directors, officers, employees, agents or affiliates shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits or refunds of non-U.S. tax paid against such ADR holder's or beneficial owner's income tax liability. The depositary is under no obligation to provide the ADR holders and beneficial owners, or any of them, with any information about our tax status. Neither the depositary or us shall incur any liability for any tax or tax consequences that may be incurred by registered ADR holders or beneficial owners on account of their ownership or disposition of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any voting instructions are given or deemed to be given pursuant to the terms of the deposit agreement, including instructions to give a discretionary proxy to a person designated by us, for the manner in which any vote is cast, including, without limitation, any vote cast by a person to whom the depositary is instructed to grant a discretionary proxy (or deemed to have been instructed pursuant to the terms of the deposit agreement), or for the effect of any such vote. The depositary may rely upon instructions from us or our counsel in respect of any approval or license required for any currency conversion, transfer or distribution. The depositary shall not incur any liability for the content of any information submitted to it by us or on our behalf for distribution to ADR holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the deposit agreement or for the failure or timeliness of any notice from us. The depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary. Neither the depositary nor any of its agents shall be liable for any indirect, special, punitive or consequential damages (including, without limitation, legal fees and expenses) or lost profits, in each case of any form incurred by any person or entity (including, without limitation holders or beneficial owners of ADRs and ADSs), whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each ADR holder and beneficial owner) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or us directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory). No provision of the deposit agreement or the ADRs is intended to constitute a waiver

or limitation of any rights which an ADR holder or any beneficial owner may have under the Securities Act of 1933 or the Securities Exchange Act of 1934, to the extent applicable.

The depositary and its agents may own and deal in any class of securities of our company and our affiliates and in ADRs.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of, or interest in, deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you as ADR holders or beneficial owners agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you and beneficial owners will be agreeing to comply with such instructions.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination, and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other ADR holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed at any time or from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Appointment

In the deposit agreement, each registered holder of ADRs and each beneficial owner, upon acceptance of any ADSs or ADRs (or any interest in any of them) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs,
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof; and
- acknowledge and agree that (i) nothing in the deposit agreement or any ADR shall give rise to a partnership or joint venture among the parties thereto, nor establish a fiduciary or similar relationship among such parties, (ii) the depositary, its divisions, branches and affiliates, and their respective agents, may from time to time be in the possession of non-public information about us, ADR holders, beneficial owners and/or their respective affiliates, (iii) the depositary and its divisions, branches and affiliates may at any time have multiple banking relationships with us, ADR holders, beneficial owners and/or the affiliates of any of them, (iv) the depositary and its divisions, branches and affiliates may, from time to time, be engaged in transactions in which parties adverse to us, ADR holders, beneficial owners and/or their respective affiliates may have interests, (v) nothing contained in the deposit agreement or any ADR(s) shall (A) preclude the depositary or any of its divisions, branches or affiliates from engaging in any such transactions or establishing or maintaining any such relationships, or (B) obligate the depositary or any of its divisions, branches or affiliates to disclose any such transactions or relationships or to account for any profit made or payment received in any such transactions or relationships, (vi) the depositary shall not be deemed to have knowledge of any information held by any branch, division or affiliate of the depositary and (vii) notice to an ADR holder shall be deemed, for all purposes of the deposit agreement and the ADRs, to constitute notice to any and all beneficial owners of the ADSs evidenced by such ADR holder's ADRs. For all purposes under the deposit agreement and the ADRs, the ADR holders thereof shall be deemed to have all requisite authority to act on behalf of any and all beneficial owners of the ADSs evidenced by such ADRs.

Governing Law

The deposit agreement, the ADSs and the ADRs are governed by and construed in accordance with the internal laws of the State of New York. In the deposit agreement, we have submitted to the non-exclusive jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf. Any action based on the deposit agreement, the ADSs, the ADRs or the transactions contemplated therein or thereby may also be instituted by the depositary against us in any competent court in the Cayman Islands, Hong Kong, the People's Republic of China, the United States and/or any other court of competent jurisdiction.

Under the deposit agreement, by holding or owning an ADR or ADS or an interest therein, ADR holders and beneficial owners each irrevocably agree that any legal suit, action or proceeding against or involving ADR holders or beneficial owners brought by us or the depositary, arising out of or based upon the deposit agreement, the ADSs, the ADRs or the transactions contemplated thereby, may be instituted in a state or federal court in New York, New York, irrevocably waive any objection which you may have to the laying of venue of any such proceeding, and irrevocably submit to the non-exclusive jurisdiction of such courts in any such suit, action or proceeding. By holding or owning an ADR or ADS or an interest therein, ADR holders and beneficial owners each also irrevocably agree that any legal suit, action or proceeding against or involving the depositary brought by ADR holders or beneficial owners, arising out of or based upon the deposit agreement, the ADSs, the ADRs or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York.

Notwithstanding the foregoing, (i) the depositary may, in its sole discretion, elect to institute any dispute, suit, action, controversy, claim or proceeding directly or indirectly based on, arising out of or relating to the deposit agreement, the ADSs, the ADRs or the transactions contemplated therein or thereby, including without limitation any question regarding its or their existence, validity, interpretation, performance or termination, against any other party or parties to the deposit agreement (including, without limitation, against ADR holders and beneficial owners of interests in ADSs), by having the matter referred to and finally resolved by

an arbitration conducted under the terms described below, and (ii) the depositary may in its sole discretion require, by written notice to the relevant party or parties, that any dispute, suit, action, controversy, claim or proceeding against the depositary by any party or parties to the deposit agreement (including, without limitation, by ADR holders and beneficial owners of interests in ADSs) shall be referred to and finally settled by an arbitration conducted under the terms described below. Any such arbitration shall be conducted in the English language either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).

Jury Trial Waiver

In the deposit agreement, each party thereto (including, for the avoidance of doubt, each holder and beneficial owner of, and/or holder of interests in, ADSs or ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or us directly or indirectly arising out of, based on or relating in any way to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory), including any claim under the U.S. federal securities laws.

If we or the depositary were to oppose a jury trial demand based on such waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable state and federal law, including whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. The waiver to right to a jury trial in the deposit agreement is not intended to be deemed a waiver by any holder or beneficial owner of ADSs of our or the depositary's compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Jurisdiction

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

The deposit agreement provides that, by holding an ADS or an interest therein, you irrevocably agree that any legal suit, action or proceeding against or involving us or the depositary arising out of or related in any way to the deposit agreement, the ADSs, or the transactions contemplated thereby or by virtue of ownership thereof, may only be instituted in the United States District Court for the Southern District of New York (or, if the Southern District of New York lacks jurisdiction or such designation of the exclusive forum is, or becomes, invalid, illegal, or unenforceable, in the state courts of New York County, New York), and by holding an ADS or an interest therein you irrevocably waive any objection which you may now or hereafter have to the laying of venue of any such proceeding, and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding. The deposit agreement also provides that the foregoing agreement and waiver shall survive your ownership of ADSs or interests therein.

Conversion between ADSs and Ordinary Shares (Item 12.D.1 and 12.D.2 of Form 20-F)

Dealings and Settlement of Class A Ordinary Shares in Hong Kong

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

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

- Hong Kong Stock Exchange trading fee of 0.00565% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- AFRC (the Accounting and Financial Reporting Council of Hong Kong) transaction levy of 0.00015% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.20% of the value of the transaction, with 0.10% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK$2.00 and a maximum fee of HK$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- Computershare Hong Kong Investor Services Limited, our Hong Kong Share Registrar, will charge between HK$2.50 to HK$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A Ordinary Shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors in Hong Kong must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his/her Class A Ordinary Shares in his/her stock account or in

his/her designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his/her broker or custodian before the settlement date.

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

Depositary

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

Transfer of Shares to Hong Kong Share Register

For the purposes of trading on the Hong Kong Stock Exchange, the Class A Ordinary Shares must be registered in the Hong Kong Share Register. ADSs are quoted for trading on NYSE. An investor who holds Class A Ordinary Shares and wishes to trade ADSs on NYSE must deposit or have his broker deposit with J.P. Morgan Chase Bank N.A. Hong Kong, as custodian of the Depositary (the "Depositary's Custodian"), Class A Ordinary Shares, or evidence of rights to receive Class A Ordinary Shares, so as to receive the corresponding ADSs as described below.

Converting Class A Ordinary Shares Trading in Hong Kong to ADSs

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

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

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

Converting ADSs to Class A Ordinary Shares Trading in Hong Kong

Following the listing of our Class A Ordinary Shares on the Hong Kong Stock Exchange, Class A Ordinary Shares registered on the Hong Kong share register will be able to convert these Class A Ordinary Shares into ADSs, and vice versa, subject to certain exceptions as provided herein. In addition, thereafter all deposits of Class A Ordinary Shares for the issuance of ADSs and all withdrawals of Class A Ordinary Shares upon the cancellation of ADSs will be in the form of Class A Ordinary Shares registered on our Hong Kong share register and all corporate actions with respect thereto will be processed via the depositary's custodian account at CCASS, subject to the rules and procedures applicable to CCASS – eligible securities, and also subject, in each case, to certain exceptions described below and provided that the foregoing shall not apply to certain of our "restricted" Class A Ordinary Shares and Class A Ordinary Shares as determined by the Company and the depositary, which will be via our principal register in the Cayman Islands.

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

An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct the broker to arrange for cancelation of the ADSs, and transfer of the underlying Class A Ordinary

Shares from the depositary's account with the custodian within the CCASS system to the investor's Hong Kong stock account. For investors holding ADSs directly, the following steps must be taken:

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

For Class A Ordinary Shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A Ordinary Shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A Ordinary Shares on the Hong Kong Stock Exchange until the procedures are completed.

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

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

Depositary Requirements

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

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

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

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

Exhibit 4.16

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (hereinafter referred to as this "**Agreement**") is made and entered into by and between the following parties in Beijing, China on July 31, 2023.

Party A: Wuhan Bofeng Technology Co., Ltd.

Address：Room 701, Floors 6-15, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

Party B：Wuhan Xinyue Network Technology Co., Ltd.

Address：Room 702, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

Party A and Party B are hereinafter individually referred to as a "**party**", and collectively referred to as "**both parties**".

WHEREAS:

1. Party A, a wholly foreign-owned enterprise incorporated in the People's Republic of China (hereinafter referred to as "**China**"), owns the resources necessary for providing various technical and consultant services. Party A is 100% directly owned by Zhihu Inc. (a company registered under the laws of Cayman) (the "**Cayman Company**").

2. Party B is a limited liability company incorporated in China and mainly engages in: network technology services; technical services, technical development, technology consulting, technical exchange, technology transfer, and technical extension and so on. All the business activities carried out and developed by Party B at present and at any time during the term hereof are hereinafter collectively referred to as the "**Principal Operations**";

3. Party A agrees to provide Party B with the relevant exclusive technical services, technology consulting and other services (as for the specific scope, please refer to the following provisions) by its human resource, technology and information advantages during the term hereof, and Party B agrees to accept such services provided by Party A or the designees thereof (the designees shall be the Cayman Company or a subsidiary wholly controlled by the Cayman Company directly or indirectly, or other entities approved by all the directors of the Cayman Company) (hereinafter referred to as the "**Designees**") in accordance with the terms of this Agreement; and

4. Party A and Party B propose to enter into this Agreement with regard to the business cooperation between Party A and Party B.

Now, therefore, upon consensus, Party A and Party B have reached the following agreements:

1. **Provision of Services by Party A**

1.1 In accordance with the terms and conditions hereof, Party B hereby entrusts Party A to provide Party B with the relevant comprehensive business support, technical services and consultant services as the exclusive service provider of Party B during the term hereof, including all or part of services determined by Party A from time to time and included in the business scope of Party B, including but not limited to: technical services, network support, business consulting, license of intellectual property rights, equipment and lease, market consultation, system integration, product research and development and system maintenance, management consultant services regarding the business operation of Party B, and to the extent permitted by the PRC laws, other consultations and services for the foregoing items provided from time to time at the request of Party B (hereinafter referred to as the "**Services**").

1.2 Party B agrees to accept the consultations and services provided by Party A. Party B further agrees that, without the prior written consent of Party A, during the term hereof, for the matters set forth herein, Party B shall not and shall cause the subsidiaries controlled by Party B not to accept any consultation and/or service provided by any third party, nor cooperate with any third party. Party A may designate other Designees (the Designees may enter into the agreements required in Article 1.4 hereof wholly or partly), to provide Party B with the consultations and/or services hereunder.

1.3 To make sure that Party B satisfies the cash flow requirements in the daily operation and (or) set off any loss arising from its operation, no matter whether Party B has actually incurred any such operating loss, Party A may, at its own discretion, provide Party B with financial support (only to the extent permitted by the PRC laws). Party A may provide Party B with financial support in the form of the loan permitted by PRC Laws (as defined below), and shall otherwise enter into a loan contract therefor.

1.4 Way of service provision

(1) Party A and Party B agree that during the term of this Agreement, both parties may, directly or through their respective related parties mastering the corresponding service abilities and resources, enter into other technical service agreements and consultant service agreements for the service provision by Party A to Party B, specifying the specific contents, methods, personnel and charges of the specific Services.

(2) To perform this Agreement, Party A and Party B agree that during the term hereof, both parties may, directly or through their respective related parties, enter into a license agreement for intellectual property rights (including but not limited to: software, trademarks, patent, know-how), permitting Party B to use the intellectual property rights of Party A at any time for the business needs of Party B.

(3) To perform this Agreement, Party A and Party B agree that during the term hereof, both parties may, directly or through their respective related parties, enter into a lease agreement for devices or plants (if any), permitting Party B to use the devices or plants (if any) of Party A at any time for the business needs of Party B.

(4) To perform this Agreement, Party A and Party B agree that during the term hereof, both parties may, directly or through their respective related parties, enter into other agreements, for the services provided by Party A to Party B.

(5) Party A may, at its discretion, wholly or partly subcontract the Services to be provided to Party B hereunder to any third party mastering the corresponding service abilities and resources.

1.5 For the service provision hereunder, Party A and Party B shall timely communicate and exchange various information related to their business and/or customers.

The Services provided by Party A in this Agreement shall be exclusive. In terms of the services provided by any existing third party to Party B, which are the same or similar to the Services provided by Party A, with the written approval of Party A, Party B may continue to perform the relevant agreement; if Party A disagrees with Party B to continue to perform any relevant agreement, Party B shall forthwith rescind such an agreement with the third party and assume any expense and liability arising from the rescission of the agreement. In terms of other contracts which are being performed by Party B or other legal instruments setting forth the obligations of Party B, Party B shall continue to perform them. Without the written consent of Party A, Party B shall not alter, modify or terminate such contracts or legal instruments.

1.6 To define the rights and obligations of both parties, and cause the forgoing service agreements to be performed actually, both parties agree that to the extent permitted by the PRC laws:

(1) Party B must carry out business by following the opinions or suggestions on the Services provided by Party A in Article 1.1 hereof.

(2) unless Party A agrees that the original directors and supervisors of Party B may remain in office, Party B will appoint the persons recommended by Party A as the directors of Party B as per the PRC laws (including any law, regulation, rule, notice, interpretation or other binding documents issued by any central or local legislative, administrative or judicial department before or after the execution hereof, hereinafter referred to as the "PRC Laws"), and to the extent permitted by the PRC Laws, appoint the senior executives recommended by Party A and employed by Party A as the general manager, financial director and other senior executives of Party B, responsible for supervision of the business and operation of Party B; to the extent permitted by the PRC Laws, unless the directors recommended by Party A are retired, resign, are incompetent or die, without the prior written consent of Party A, Party B shall not remove them for any other reason.

(3) Party B agrees to cause its directors and senior executives to exercise the powers granted by the relevant laws and regulations and articles of association as instructed by Party A.

(4) Party A shall set and adjust the organization of Party B, and manage the human resources.

(5) Party A shall be entitled to carry on the business related to the Services in the name of Party B, and Party B shall provide all the necessary support and convenience so that Party A may smoothly carry on the business, including but not limited to the provision of all the necessary powers of attorney required for the Services to Party A.

(6) To the extent permitted by the PRC Laws, Party A shall have the right to regularly and at any time check the account of Party B, and Party B shall timely and accurately charge to an account and provide Party A with the relevant accounting information as required by Party A. During the term hereof, Party B agrees to cooperate with Party A and its shareholders (including direct or indirect shareholders) in an audit (including but not limited to the audit for various related transactions and other kinds of audits) and provide Party A, its shareholders (including direct or indirect shareholders) and/or entrusted auditors with the operation, business, customer, financial, and employee information and materials of Party B and agrees that the shareholders of Party A may disclose such information and materials to satisfy the requirements on securities regulation.

(7) Party B agrees to hand over the relevant certificates and official seals important for the daily operation of Party B, including the

business license, organization code certificate (if any), official seal, contract seal, special seal for finance and seal of the legal representative of Party B to the directors, legal representative, general manager, financial director and other senior executives of Party B recommended by Party A and appointed by Party B as per the statutory procedures for keeping.

1.7 Both parties agree that the Services provided by Party A to Party B hereunder shall also apply to the subsidiaries controlled by Party B and Party B shall cause the subsidiaries controlled by Party B to exercise the rights and perform the obligations as per this Agreement.

2. **Calculation and Mode of Payment of the Service Fees, Financial Statements, Audit and Tax**

2.1 In terms of the Services provided by Party A hereunder, without prejudice to the mandatory provisions of the PRC Laws, during the term hereof, Party B and the subsidiaries controlled by Party B shall fully pay the gains of Party B and the subsidiaries controlled by Party B (including the accumulated gains from the previous fiscal year), namely the net profit to Party A, as the service fees (hereinafter referred to as the "**Service Fees**") on schedule as required by Party A after the loss of the previous year is recovered (if necessary), the necessary costs, expenses and taxes arising from the corresponding fiscal year are deducted, and the statutory surplus reserve, reserve fund, staff bonus and welfare fund and enterprise development fund which must be withdrawn are withdrawn after a fiscal year is ended; Party A shall have the right to define the foregoing deductible items. The amount of the Service Fees shall be defined by Party A and the following factors (including but not limited to) shall be considered for the calculation and adjustment of the Service Fees. Party A shall have the right to, without the consent of Party B, at its own discretion, adjust the Service Fees: (a) the technical difficulty of the Services provided by Party A and the complexity of the technology consulting and other services provided; (b) the time required for the technicians of Party A to provide such software development, technology consulting and other services; (c) the specific content and business value of the software development, technology consulting and other services provided by Party A; (d) the market value of the same type of services. The foregoing Service Fees shall be remitted or transferred in other forms approved by both parties to the bank account of Party A or the Designees provided by Party A after Party A offers instruction for payment to Party B. Party A may change the instruction for payment from time to time. Both parties agree that in principle, the payment of the foregoing Service Fees shall not embarrass the operation of either party for that year. For the above purpose, to the extent of realizing the foregoing principle, Party A shall have the right to agree to the deferred payment of Party B, avoiding any financial

difficulty of Party B; Party A shall also have the right to make any other adjustment for the Service Fess that Party A considers reasonable, with prior written notice to Party B.

2.2 Party A agrees that, during the term hereof, Party A will enjoy and assume all the economic benefits and risks arising from any business of Party B; in the event of any operating loss or significant economic difficulty of Party B, Party A will provide Party B with its financial support; under one of the foregoing circumstances, nobody other than Party A shall have the right to determine whether Party B may continue its operating and Party B shall unconditionally accept and agree to the foregoing decision of Party A.

2.3 Party B shall formulate various financial statements to the satisfaction of Party A as per the relevant applicable laws, generally recognized accounting standards and business practices.

2.4 With the prior notice of Party A, Party A and/or its designated auditors shall have the right to review the relevant accounts and records of Party B in the main office location of Party B and copy part of the accounts and records required, for the purpose of verifying whether the revenue amounts and statements of Party B are accurate. Party B shall, at the request of Party A, provide the operating, business, customer, financial and employee information and materials of Party B and agree with Party A or its direct or indirect shareholders to disclose or make public the information and materials if necessary.

2.5 Both parties shall respectively assume their taxes arising from the performance hereof.

3. Intellectual Property Rights, Confidentiality Provisions and Competition Prohibition

3.1 Party A will enjoy an exclusive title, right and interest for any and all the intellectual property rights arising from or created by the performance of this Agreement by Party A (including but not limited to: software, trademarks, patents, know-how, trade secrets and others) and shall have the right to use such a title, right and interest for free.

3.2 To perform this Agreement, Party A and Party B agree that during the term hereof, both parties may enter into a license agreement for intellectual property rights, permitting Party B to use the intellectual property rights of Party A without any charge for the business needs of Party B, or if necessary, Party A agrees to assign part of intellectual property rights of Party A to Party B or register the part of intellectual property rights in the name of Party B. Nonetheless, at the request of Party A, Party B shall assign the foregoing intellectual property rights registered in the name of Party B to Party A for free or at the lowest price permitted by laws, and Party B must execute all the appropriate documents, adopt all the

appropriate actions, submit all the documents and/or applications, offer all the appropriate assistance, and take any other actions that Party A at its own discretion considers necessary, to grant any title, right and interest of the intellectual property rights to Party A, and/or perfect the protection of the intellectual property rights by Party A. Party A shall have the right to use any intellectual property right registered in the name of Party B without any charge.

3.3 Unless otherwise agreed by Party A, Party A shall, based on the provision of the consultant services to Party B and the subsidiaries controlled by Party B, enjoy exclusive and proprietary rights and interests for all the rights, titles, interests, and intellectual property rights arising from or created during the operation of Party B and the subsidiaries controlled by Party B during the term hereof, including but not limited to all the existing and future copyrights, patents (including various patents for an invention, patents for utility models and design patents), patent applications, trademarks, trade names, brands, software, know-how, trade secrets, all the relevant goodwill, domain names and any other similar right (hereinafter referred to as the "**Rights**"), whether developed by Party A or Party B. Party B shall not claim any right against Party A. Party B shall execute all the documents and take all the actions necessary for Party A to become the owner of the Rights. Party B shall make sure that the Rights are free from any defect and indemnify Party A against any loss arising from the defect (if any).

3.4 Without the written consent of Party A, Party B shall not and shall cause the subsidiaries controlled by Party B not to transfer, assign, mortgage, grant a license for or dispose of the Rights in other manners.

3.5 Party B shall dispose of the Rights as instructed by Party A from time to time, including but not limited to the assignment or license of the Rights to Party A or the Designees without any prejudice to the PRC Laws.

3.6 Both parties acknowledge that any oral or written material exchanged for this Agreement shall be deemed as confidential information. Each party shall keep all such information confidential and shall not disclose any such information to any third party without the written consent of the other party, except in the following cases: (a) such information is known to the public (but it is not disclosed to the public by the party receiving the information); (b) such information is required to be disclosed by applicable law or the rules or regulations of any stock exchange; or (c) such information shall be disclosed by any Party to its legal adviser or financial adviser in connection with the transaction contemplated hereunder, provided that such legal or financial advisor shall also be bound by the confidentiality obligations similar to those set out in this Article. Any disclosure of any confidential information by any employee or agency

engaged by any party shall be deemed a disclosure of such party, and such party shall be legally liable for breach of this Agreement. This provision shall survive the termination of this Agreement for any reason.

3.7 Party B shall not execute any document which has a conflict of interest with any legal instrument executed by Party A and its Designees and being performed or make any relevant promise therefor; Party B shall not cause by act or omission any conflict of interest between Party B and Party A and its shareholders. In the event of such a conflict of interest (Party A shall have the right to unilaterally determine whether such a conflict of interest has occurred), Party B shall timely adopt various measures as far as possible to eliminate the conflict of interest, with the consent of Party A or its Designees. If Party B rejects adopting such measures, Party A shall have the right to exercise the purchase right under the *Exclusive Option Agreement*.

3.8 During the term hereof, all the customer information and other relevant materials regarding the business of Party B and the Services provided by Party A are owned by Party A.

3.9 Both parties agree that Article 3 shall survive any change, rescission or termination of this Agreement.

4. Representations, Warranties and Undertakings

4.1 Party A makes the following representations, warranties and undertakings that:

(1) Party A is a wholly foreign-owned enterprise legally incorporated and validly existing in accordance with the PRC Laws, is an independent legal entity, masters a complete and independent legal status and legal capacity, has acquired an appropriate authorization to execute, deliver and perform this Agreement, and is able to independently act as the subject of any litigation.

(2) the execution and performance of this Agreement by Party A are not beyond its legal entity and business operation scope, and Party A has acquired any permit, filing and qualification necessary for providing the Services set forth herein; Party A has taken various necessary corporate actions and acquired various appropriate authorizations and the consent and approval of any relevant third party and government bodies to complete the transaction hereunder, and will not be against the legal or other restrictions binding on or influencing Party A.

(3) after this Agreement is executed and delivered by Party A, this Agreement shall constitute a legal, effective and binding obligation of Party A and be enforced as per the provisions hereof.

4.2 Party B makes the following representations, warranties and undertakings that:

(1) Party B is a company legally incorporated and validly existing in accordance with the PRC Laws, is an independent legal entity, masters a complete and independent legal status and legal capacity, has acquired an appropriate authorization to execute, deliver and perform this Agreement, and is able to independently act as the subject of any litigation.

(2) the acceptance of the Services provided by Party A by Party B will not be against any PRC law; the execution and performance of this Agreement by Party B are not beyond its legal entity and business operation scope; Party B has taken various necessary corporate actions and acquired various appropriate authorizations and the consent, approval or filing of any relevant third party and government bodies to complete the transaction hereunder, and will not be against the legal or other restrictions binding on or influencing Party B.

(3) after this Agreement is executed and delivered by Party B, this Agreement shall constitute a legal, effective and binding obligation of Party B and be enforced as per the provisions hereof.

(4) Party B is not involved in any outstanding litigation, arbitration or other judicial or administrative proceedings impairing the ability of Party B to perform the obligations hereunder, and to its knowledge, no other parties threaten to adopt the foregoing actions. If any litigation, arbitration or other judicial or administrative punishments occur or may occur due to the assets, business or incomes of Party B, Party B shall give notice to Party A immediately after being informed of the litigation, arbitration or other judicial or administrative punishments.

(5) Party B has disclosed all the contracts, government approval documents, permits or other documents binding upon its assets or business which possibly impose a material adverse effect on the ability of Party B to comprehensively perform the obligations hereunder to Party A, and the documents provided by Party B to Party A previously do not have any misrepresentation or omission for any material fact.

(6) Party B shall timely pay the Service Fees to Party A fully as per this Agreement, maintain the permits and qualifications related to the business of Party B and its subsidiaries to be continuously effective during the Services, assist Party A in and provide Party A with sufficient cooperation for all the affairs necessary for Party A to

effectively perform the duties and obligations hereunder, actively cooperate in the service provision of Party A and accept the reasonable opinions and suggestions raised by Party A for the business of Party B and its subsidiaries.

(7) Without the prior written consent of Party A, since the date hereof, Party B shall not and shall cause its subsidiaries not to sell, assign, mortgage or dispose of in other manners its legal interests in any asset (excluding the assets necessary for the daily business and valued below RMB1 million (or any other amount otherwise agreed by Party A and Party B)), business, management right or revenue.

(8) Without the prior written consent of Party A, except for the reasonable expenditures arising from the normal operation, Party B shall not pay any amount to a third party in any name, exempt any third party from its debt, borrow or lend a loan from or to any third party, provide a guarantee or warranty, nor allow any third party to set any other security interest on the assets or interests of Party B.

(9) Without the prior written consent of Party A, since the date hereof, Party B shall not and shall cause its subsidiaries not to incur, inherit, provide a guarantee for or allow the existence of any debt (excluding the debts necessary for the daily business and valued below RMB1 million (or any other amount otherwise agreed by Party A and Party B)).

(10) Without the prior written consent of Party A, since the date hereof, Party B shall not and shall cause its subsidiaries not to enter into any material contract (excluding the contracts necessary for the daily business and valued below RMB1 million (or any other amount otherwise agreed by Party A and Party B)) or any other contract, agreement or arrangement in conflict with this Agreement or possibly impairing the interests of Party A hereunder.

(11) Party B shall not cause by act or omission any conflict of interest between Party B and Party A and its shareholders. In the event of such a conflict of interest (Party A shall have the right to unilaterally determine whether such a conflict of interest has occurred), Party B shall timely adopt various measures as far as possible to eliminate the conflict of interest, with the consent of Party A or its Designees.

(12) Without the prior written consent of Party A, since the date hereof, Party B shall not and shall cause its subsidiaries not to merge or combine with any third party to form a joint entity, invest or purchase any third party, be invested, purchased or controlled, increase or decrease its registered capital, or change its corporation form or registered capital structure in other manners, accept the

investment or capital increase of the existing shareholders or any third party to Party B, or carry out a liquidation or dissolution.

(13) To the extent permitted by the relevant PRC Laws, Party B will appoint the persons recommended by Party A as its directors; without the prior written consent of Party A or any statutory ground, Party B shall not reject appointing the persons recommended by Party A for any other reason.

(14) Party B shall maintain any and all the government permits, licenses, authorizations and approvals necessary for its business during the term hereof, and shall make sure that all the foregoing government permits, licenses, authorizations and approvals will remain in force, legal and effective during the term hereof. If during the term hereof, any and all the government permits, licenses, authorizations and approvals necessary for the business of Party B are required to be changed and/or supplemented due to any change made to the regulations of the relevant government department, Party B shall implement such a change and/or supplement as per the relevant laws.

(15) Party B shall timely notify Party A of any circumstance which may bring any material adverse effect on the business and operation of Party B, and try its best to prevent the occurrence of the circumstance and/or any further loss.

(16) Without the prior written consent of Party A, Party B and/or its subsidiaries shall not modify their articles of associations, change their Principal Operations, nor significantly adjust their business scope, mode, profit model, marketing strategies, operation policies or customer relationships.

(17) Without the prior written consent of Party A, Party B and/or its subsidiaries shall not enter into an arrangement for partnership or joint venture or profit sharing or other arrangements realizing benefit transfer or profit sharing in the forms of the charge for use, service fee, or consultant fee with any third party.

(18) At the request made by Party A from time to time, Party B shall provide Party A with the information of the business management and financial condition of Party B.

(19) Without the prior written consent of Party A, Party B shall not declare or allocate bonuses, dividends or any other benefit to its shareholders.

(20) Party B shall provide Party A with any technology or other materials which Party A considers necessary or useful for the

provision of the Services hereunder, and allow Party A to use the facilities, materials or information of Party B which Party A considers necessary or useful for the provision of the Services hereunder.

(21) Without the prior written consent of Party A, Party B shall not change, replace or remove any director and senior executive.

4.3 Party A and Party B respectively warrant to the other party that both parties will forthwith rescind this Agreement once the PRC Laws permit Party A to at its own discretion directly hold the equity of Party B and Party A and/or its subsidiaries and branches to legally carry on the business of Party B.

5. Effect and Term

This Agreement shall come into force with the signatures of both parties. This Agreement will remain in force until it is terminated under the circumstances set forth in Article 6.1 hereof.

6. Termination

6.1 This Agreement may be terminated under the following circumstances:

(a) If Party B goes bankrupt, is liquidated, terminated or dissolved legally during the term hereof, this Agreement may be terminated on the day when the bankruptcy, liquidation, termination or legal dissolution comes into force;

(b) This Agreement may be terminated on the day when all the equities and assets of Party B are fully assigned to Party A as per the *Exclusive Option Agreement* entered into by and between Party A and Party B and the existing shareholders of Party B on the date hereof (including the revisions made from time to time);

(c) This Agreement may be terminated on the day when Party A is formally registered as the sole shareholder of Party B once the PRC Laws permit Party A to directly hold all the equities of Party B and Party A and/or its subsidiaries and branches to legally carry on the business of Party B;

(d) This Agreement may be terminated on the day when the written notice sent by Party A to Party B at any time thirty (30) days in advance during the term hereof, requiring to terminate this Agreement, is expired;

(e) This Agreement may be terminated as per Article 7 hereof.

6.2 If Party A terminates this Agreement as per Article 6.1(d), it is not necessary to assume any liability for breach of contract for the unilateral rescission of this Agreement.

6.3 The rights and obligations of both parties under Articles 3, 5, 7, 8, 10, 11 and 16.3 shall survive the termination hereof.

6.4 The termination hereof for any reason shall not exempt either party from all the obligations for paying the amounts due and payable before the termination hereof under this Agreement (including but not limited to the Service Fees), nor from any liability for breach of contract occurring before the termination hereof. The payable Service Fees generated before the termination hereof shall be paid by Party B to Party A within fifteen (15) working days after the termination hereof.

7. Liability for Breach of Contract

7.1 Except as otherwise provided in this Agreement, if Party B (the "Defaulting Party") fails to perform any of its obligations under this Agreement or otherwise breaches this Agreement, Party A (the "Aggrieved Parties") may: (a) give a written notice to the Defaulting Party stating the nature and extent of the default and requiring the Defaulting Party to remedy it at its own expense within a reasonable period set forth in the notice (the "Remedy Period"); and if the Defaulting Party fails to remedy within the Remedy Period, the Aggrieved Parties shall have the right to require the Defaulting Party to bear the liability arising from its default, and to compensate the Aggrieved Parties for all actual economic losses caused thereby, including, but not limited to, attorney's fees, litigation or arbitration fees incurred in connection with litigation or arbitration proceedings relating to such default; in addition, the Aggrieved Parties also have the right to require the Defaulting Party to perform this Agreement compulsorily and the right to request the relevant arbitration organization or court to order the actual performance and/or enforcement of the provisions of this Agreement; (b) terminate this Agreement and require the Defaulting Party to assume all liabilities caused by its default and compensate for all damages incurred as a result; (c) discount, auction or sell the pledged equity interests in accordance with the Share Pledge Agreement, entered into by and between Party A and Party B as well as the existing shareholders of Party B on the date hereof (including the revisions made from time to time), and have the priority to gain compensation from the price of the discount, auction or sale, and require the Defaulting Party to bear all the losses caused thereby. The Aggrieved Parties' exercise of the aforementioned remedies shall not affect their exercise of other remedies in accordance with this Agreement and legal provisions.

7.2 Both parties agree and acknowledge that, unless otherwise specified compulsorily by the PRC Laws, the Aggrieved Parties shall have the right

to unilaterally and forthwith terminate this Agreement and require damages from the Defaulting Party, provided that Party B is the Defaulting Party.

8. Governing Law, Dispute Resolution and Law Change

8.1 The execution, effectiveness, interpretation, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.

8.2 In case of any dispute arising from the interpretation and performance of the provisions hereof, both parties shall resolve the dispute through negotiation in good faith. If both parties fail to reach an agreement on the resolution of such dispute within thirty (30) days after either party requests for resolution through negotiation, either party may submit the dispute to the Beijing Arbitration Commission for arbitration in accordance with its arbitration rules in effect at that time. The arbitration shall be conducted in Beijing and the arbitration language shall be Chinese. The arbitration award shall be final and binding upon both parties. The arbitration tribunal may award compensation or indemnity to Party A for the loss caused to Party A by the default of Party B in respect of Party B's equity interests, assets or property interests, award compulsory relief or order Party B to go bankrupt in respect of relevant business or compulsory asset transfer. After the arbitration award becomes effective, any Party shall have the right to apply to the court having jurisdiction for enforcement of the arbitration award. Where necessary, before making a final decision on the dispute among the Parties, the arbitration organization shall have the right to rule that the Defaulting Party shall immediately stop the default or rule that the Defaulting Party shall not take any action that may further increase the losses suffered by Party A. Courts in Hong Kong, the Cayman Islands or any other court having jurisdiction (including the court at the location of Party B's domicile, or the court at the location of Party B's or Party A's prime assets, which shall be deemed to have jurisdiction) shall also have the power to grant or enforce the award of the arbitration tribunal and to award or enforce interim relief in respect of Party B's equity interests or property interests, and shall have the power to give provisional relief to the party bringing the arbitration while waiting for the formation of the arbitration tribunal or under other appropriate circumstances, such as ruling or deciding that the Defaulting Party shall immediately stop the default or ruling that the Defaulting Party shall not take any action that may further increase the losses suffered by Party A.

8.3 In the event of any dispute arising from the interpretation and performance of this Agreement or any dispute being arbitrated, both parties hereto shall continue to exercise their respective rights and perform their respective obligations hereunder, except those involved in the dispute.

8.4 At any time following the execution date of this Agreement, in the event of any enactment or change in the PRC laws, regulations or rules, or any change in the interpretation or application of such laws, regulations or rules, the following provisions shall apply: to the extent permitted by the PRC laws, (a) if a change in the law or a newly promulgated regulation is more favorable to any party than the relevant law, regulation, decree or rules in force at the execution date of this Agreement (and the other party(ies) is/are not seriously and adversely affected), both parties shall promptly apply to get the change or the benefits of new regulation and use their best efforts to get the application approved; or (b) if the economic interests of any party hereunder are seriously and adversely affected directly or indirectly as a result of such change in law or newly promulgated regulation, this Agreement shall continue to be implemented in accordance with the original terms. Both parties shall acquire an exemption for compliance with the change or regulations through all the legal channels. If the adverse impact on the economic interests of any party cannot be resolved in accordance with this Agreement, after the affected party notifies the other party, both parties shall promptly negotiate and make all necessary amendments to this Agreement to maintain the economic interests of the affected party hereunder.

9. Force Majeure

9.1 "**Force Majeure**" shall refer to any unforeseeable, unavoidable, and insurmountable event that causes a Party hereto to fail in part or in whole to perform this Agreement. Such events include but are not limited to, earthquakes, typhoons, floods, inundation, wars, strikes, riots, government action, changes in a law or regulation or its application.

9.2 In the event of a Force Majeure event, the obligations of any party affected by the Force Majeure hereunder shall be automatically suspended during the delay caused by the Force Majeure event, and its performance period shall be automatically extended. The extended period shall be the period of suspension for which the party shall not be penalized or held liable as a result. Upon the occurrence of a Force Majeure event, both parties shall consult immediately to seek a just solution and use all reasonable efforts to minimize the effects of the Force Majeure.

10. Indemnification

Party B shall indemnify Party A against and hold Party A harmless from any loss, damages, liability or expense arising from any litigation, claim or other requirements against Party A caused by the consultations and services provided by Party A at the request of Party B, unless the loss, damages, liability or expense is caused by any gross negligence or deliberate misconduct of Party A.

11. Notice

11.1 All notices and other communications required or permitted hereunder shall be delivered by hand, by postage prepaid registered mail, or by commercial courier service to the address of such party listed in Annex I. The date on which such notice is deemed to have been effectively served shall be determined in the following ways:

(1) If the notice is delivered by hand or by courier service, it shall be deemed to have been effectively served at the designated pick-up address on the date of delivery or rejection.

(2) If the notice is sent by postage prepaid registered mail, it shall be deemed to have been effectively served on the fifteenth (15th) day following the date marked on the receipt of the registered mail.

11.2 Either party may change the address to which notice is to be served at any time under this article by giving notice to the other party.

12. Assignment

12.1 Without the prior written consent of Party A, Party B shall not assign its rights and obligations hereunder to any third party.

12.2 Party B agrees that Party A may assign the rights and obligations hereunder to any Designee with prior written notice to Party B, but without the consent of Party B.

13. Severability

If one or more provisions hereof are held to be invalid, illegal or unenforceable in any respect under any law or regulation, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or impaired in any respect. Both parties shall, through sincere negotiation, seek to replace such invalid, illegal or unenforceable provisions with the provisions that are valid to the maximum extent desired by both parties and are permitted by laws. The economic benefits resulting from such valid provisions shall, to the extent possible, be similar to those resulting from such invalid, illegal or unenforceable provisions.

14. Modification and Supplement

14.1 Any modification or supplement to this Agreement shall be made in writing. Any modification agreement or supplementary agreement signed by both parties in connection with this Agreement shall be an integral part of this Agreement and shall have the same legal effect as this Agreement.

14.2 In the event of any amendments to this Agreement proposed by the Stock Exchange of Hong Kong Limited or other regulatory authorities or any amendments of this Agreement and arrangements thereof in accordance

with the provisions of the listing rules or other related regulations, rules, codes and guidance of the Stock Exchange of Hong Kong Limited in connection with this Agreement, both parties shall amend this Agreement reasonably accordingly.

15. Text

This Agreement is made in two (2) copies, with each signatory holding one (1) copy. These two copies shall have the same legal effect.

16. Miscellaneous

16.1 This Agreement shall constitute the entire agreement between both parties with respect to the subject matter hereof, except as amended, supplemented or modified in writing after execution hereof, and shall supersede all prior oral and written negotiations, representations and contracts with respect to the subject matter hereof.

16.2 This Agreement shall be binding on the respective successors of both parties and the permitted transferees of such parties.

16.3 Any party may waive its rights under this Agreement, provided that such waiver must be made in writing and signed by both parties. A waiver by any party in respect of a default by another party under a certain circumstance shall not be deemed to be a waiver by such party in respect of a similar default in another circumstance.

16.4 The headings in this Agreement are for convenience of reading only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.

[The remainder of the page is intentionally left blank]

(This page is intentionally left blank, and serves as the Signature Page to the *Exclusive Business Cooperation Agreement*)

IN WITNESS WHEREOF, this Exclusive Business Cooperation Agreement has been executed by both parties as of the date and in the place first above written.

Wuhan Bofeng Technology Co., Ltd.

(/s/ Seal)

(This page is intentionally left blank, and serves as the Signature Page to the *Exclusive Business Cooperation Agreement*)

IN WITNESS WHEREOF, this Exclusive Business Cooperation Agreement has been executed by both parties as of the date and in the place first above written.

Wuhan Xinyue Network Technology Co., Ltd.

(/s/ Seal)

Exhibit 4.16

Annex I

For the purpose of the notice, the contact details of both parties are as follows:

Party A: Wuhan Bofeng Technology Co., Ltd.

Address: Room 701, Floors 6-15, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

To: Yuan Zhou

Party B: Wuhan Xinyue Network Technology Co., Ltd.

Address: Room 702, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

To: Rongle Zhang

Shareholders' Rights Entrustment Agreement

This Shareholders' Rights Entrustment Agreement (hereinafter referred to as this "**Agreement**") is made and entered into by and between the following parties in Beijing, China on July 31, 2023:

Party A: **Wuhan Bofeng Technology Co., Ltd.,** a limited liability company established and existing in accordance with the PRC laws, with its address at Room 701, Floors 6-15, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province.

Party B： **Yuan Zhou,** ID No.: **********

Dahai Li, ID No.: **********;

Party C: **Wuhan Xinyue Network Technology Co., Ltd.,** a limited liability company established and existing in accordance with the PRC laws, with its address at Room 702, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province.

Whereas:

1. Party B, as the current shareholders of Party C, collectively holds 100% of the equity interests of Party C (hereinafter referred to as "**Party C's Equity**") as of the date of signing this Agreement.

2. Party A, a wholly foreign-owned enterprise registered in the People's Republic of China (hereinafter referred to as "**China**"), is 100% directly owned by Zhihu Inc. (a company registered under the laws of Cayman Islands) (the "**Cayman Islands Company**").

3. On the signing date of this Agreement, the parties signed an *Exclusive Option Agreement* (including its amendments from time to time, hereinafter referred to as the "**Exclusive Option Agreement**"). If Party A makes a purchase request on its independent judgment, as permitted by the PRC laws and in accordance with the corresponding conditions, (a) Party B shall, as requested, transfer all or part of its equity in Party C to Party A and/or its designated party (hereinafter referred to as the "**Designee**", which shall be the Cayman Islands Company or its directly or indirectly wholly-owned subsidiary) according to its requirements; (b) Party C shall transfer all or part of its assets to Party A and/or the Designee according to its requirements;

4. The parties signed a *Share Pledge Agreement* (including its amendments from time to time, hereinafter referred to as the "**Share Pledge Agreement**") on the signing date of this Agreement, according to which Party B pledges all its equity in Party C (i.e., Party C's Equity) to Party A to provide pledge guarantee for the contractual obligations and secured debts mentioned in the Share Pledge Agreement;

5. Party A and Party C signed an *Exclusive Business Cooperation Agreement* (including its amendments from time to time, hereinafter referred to as the "**Business Cooperation Agreement**") on the date of signing this Agreement, according to which Party A provides relevant exclusive technical services, technical consultation and other services to Party C;

6. In order to ensure the performance of the Business Cooperation Agreement and the legitimate rights and interests of Party A, the parties intend to sign this Agreement on matters such as entrusting the voting rights of shareholders by Party B to Party A. Party B intends to entrust the individuals or entities designated by Party A to exercise its entrustment rights in Party C (as defined below), and Party A also intends to designate such individuals or entities to accept the entrustment.

Now, therefore, through amicable negotiation, the parties have reached the following agreements:

1. Entrustment rights

1.1 Party B severally but not jointly, unconditionally and irrevocably promises that it shall sign the Power of Attorney (hereinafter referred to as the "**Power of Attorney**") with the content and format as Annex I on the date of signing this Agreement, and authorize Party A or, as required by Party A, the directors selected by the board of directors of its overseas parent company designated by Party A and the liquidator or other successors (hereinafter referred to as the "**Trustee**") acting for these directors to exercise their rights as shareholders of Party C, who enjoy all shareholders' rights and exercise corresponding shareholders' rights in all matters of Party C on behalf of Party B according to Party C's then effective articles of association and transaction agreements (as defined in the Share Pledge Agreement) and applicable laws and regulations, but such Trustee shall not be Party B itself or other shareholders of Party C. Such shareholder rights (hereinafter referred to as the "**entrustment rights**") include but are not limited to:

1) Exercising all shareholders' rights and shareholders' voting rights enjoyed by Party B in accordance with the PRC laws (including any laws,regulations, rules, notices, interpretations or other binding documents issued by any central or local legislative, administrative or judicial department before or after the signing of this Agreement, hereinafter referred to as the "**PRC laws**") and transaction agreements (as defined in the Share Pledge Agreement) and the articles of association of Party C (including any other shareholders' voting rights stipulated after the amendment of the articles of association), including but not limited to the right to dividends, sell, transfer, pledge or dispose of part or all of Party C's Equity (subject to the terms of the transaction agreements (as defined in the Share Pledge Agreement));

2) Acting as the legal representative of Party C, or the chairman (if applicable), director or manager of Party C, and/or designating, appointing or replacing the

legal representative, chairman (if applicable), directors, supervisors, chief executive officer (or manager) and other senior executives of Party C on behalf of Party B according to the specific terms in the generation of legal representative recorded in the articles of association of Party C, and bringing a lawsuit or taking other legal actions against the directors or senior executives, when the behavior of the directors, supervisors or senior executives of Party C harms the interests of Party C or its shareholders;

3) Signing documents for exercising shareholders' rights related to Party C's Equity (but not including signing the transaction agreements (as defined in the Share Pledge Agreement) or any amendment thereof) and filing documents in the relevant company registry;

4) Putting forward suggestions, convening and attending the shareholders' meeting, and signing any relevant shareholders' meeting minutes, resolutions or other legal documents;

5) Making decisions on major issues related to Party C's business, and reviewing and approving all relevant reports and plans;

6) Representing the registered shareholders of Party C to exercise their voting rights in case of bankruptcy, liquidation, dissolution or termination of Party C;

7) Obtaining the remaining assets after Party C's bankruptcy, liquidation, dissolution or termination;

8) Deciding to submit and register documents related to Party C to government departments;

9) Exercising any shareholder's rights to deal with Party C's assets, including but not limited to the right to manage its asset-related business, the right to access its revenue and the right to acquire its assets; and

10) Other rights of any shareholder as stipulated by other applicable PRC laws and regulations and the articles of association of Party C (and its amendments from time to time).

1.2 Without limiting the generality of the rights granted under this Agreement, Party A shall have the rights and authorization under this Agreement to sign the transfer contract agreed and defined in the Exclusive Option Agreement on behalf of Party B (when Party B is required to be a party to the contract), and perform the terms of the Share Pledge Agreement and the Exclusive Option Agreement signed by Party B on the same day as this Agreement.

1.3 Party B shall not abuse its rights as a shareholder of Party C to harm the interests of Party C. If Party B abuses the rights as a shareholder, Party A has the right to exercise the option under the Exclusive Option Agreement.

1.4 Party B hereby promises that, in case of bankruptcy, liquidation, dissolution or termination of Party C, all assets including Party C's Equity obtained by Party B

after bankruptcy, liquidation, dissolution or termination of Party C will be transferred to Party A free of charge or at the lowest price allowed by PRC laws at that time, or all assets, including equity of Party C, will be disposed of by the liquidator at that time to protect the interests of Party A's direct or indirect shareholders and/or creditors.

1.5 With the consent of Party B, Party A has the right to sub-entrust other parties to handle matters under Article 1.1. The Trustee and/or Party A shall exercise the entrustment rights just as Party B personally exercises the shareholders' rights. The premise of authorization and entrustment of the entrustment rights is that the Trustee is a Chinese citizen appointed by Party A's members of the board of directors (or executive directors) or the board of directors (or executive directors) through consultation, and Party B agrees with the above authorization and entrustment. When Party A sends a written notice to Party B to replace the Trustee, Party B shall immediately designate other Designees or Trustees appointed by Party A that meet the conditions agreed in this Agreement to exercise the above entrustment rights, and sign the Power of Attorney with the content and format as Annex I. Once the new Power of Attorney is made, it will replace the original Power of Attorney. At the same time, Party B shall also announce or explain that the original Power of Attorney has been abolished by sending a notice to relevant persons or other forms of publicity. In addition, Party B shall not revoke the entrustment and authorization made to the Trustee and/or Party A.

1.6 Subject to other articles of this Agreement (including but not limited to Article 12.1), Party B shall confirm and recognize any legal consequences arising from the Trustee and/or Party A's exercise of the above-mentioned entrustment rights and assume corresponding legal responsibilities.

1.7 The Trustee and/or Party A's exercise of all shareholders' rights and/or entrustment rights related to Party C's Equity shall be regarded as Party B's own behavior, and all signed documents about the exercise of shareholders' rights related to Party C's Equity (but not including the transaction agreements (as defined in the Share Pledge Agreement) or any amendment thereof) shall be regarded as signed by Party B. The Trustee and/or Party A can act according to their own intention during the above-mentioned behaviors, without prior consent of Party B. Party B hereby acknowledges and approves the acts and/or documents of the Trustee and/or Party A.

1.8 During the validity period of this Agreement, Party B agrees and confirms that without the prior written consent of Party A, it is not allowed to exercise all shareholder's rights related to Party C's Equity that have been authorized to Party A and/or the Trustee in this Agreement.

1.9 In case of death, incapacity, marriage, divorce, bankruptcy or other events of Party B that may affect Party B's exercise of Party C's Equity held by Party B, Party B's successors (including spouses, children, parents, brothers and sisters, grandparents and maternal grandparents) or shareholders or assignees of Party

C's Equity at that time will be regarded as the signatories of this Agreement, and inherit/assume all rights and obligations of Party B under this Agreement.

2. Right to information

2.1 For the purpose of exercising the entrustment rights under this Agreement, Party A and/or the Trustee have the right to know all kinds of relevant information of Party C's company operation, business, customers, finance, employees and so on, and consult relevant information of Party C, and Party C shall fully cooperate with it.

3. Exercise of entrustment rights

3.1 Party B will provide full assistance to the Trustee and/or Party A in exercising the entrustment rights, such as timely signing relevant legal documents, including but not limited to the Power of Attorney with detailed scope of authorization (if required by relevant laws, regulations or articles of association and/or other normative documents) when necessary (for example, to meet the requirements of documents submission to government departments for approval, registration and filing, or the requirements of laws, regulations, normative documents, articles of association or other government departments' instructions or orders).

3.2 Party B irrevocably agrees that when Party A puts forward a written request related to the exercise of entrustment rights, Party B shall take actions in accordance with the provisions within three (3) days after receiving the written request to meet Party A's requirements on the exercise of entrustment rights.

3.3 If at any time during the term of this Agreement, the grant or exercise of entrustment rights under this Agreement cannot be realized for any reason (except for the default by Party B or Party C), the parties shall immediately seek the closest alternatives to the unfulfillable provisions, and sign supplementary agreements to modify or adjust the terms of this Agreement when necessary, so as to ensure the realization of the purpose of this Agreement.

4. Exemption and compensation

4.1 The parties confirm that under no circumstances shall Party A be required to assume any responsibility or make any financial or other compensation to other parties or any third party for its exercise and/or its designated Trustee's exercise of the entrustment rights under this Agreement.

4.2 Subject to other provisions of this Agreement (including but not limited to Article 12.1), Party B and Party C agree to compensate and prevent all losses that Party A has suffered or may suffer as a result of its exercise and/or its designated Trustee's exercise of entrustment rights, including but not limited to any losses caused by any third party's lawsuit, recovery, arbitration, claim or administrative investigation and punishment by government agencies. However, if the losses are caused by intentional or serious negligence of Party A and/or the Trustee, such losses are not included in the compensation.

5. Representations and warranties

5.1 Party B hereby severally but not jointly makes the following representations and warranties:

5.1.1 Party B has complete and independent legal status and legal capacity, has been duly authorized to sign, deliver and perform this Agreement, and can independently be the litigation subject as a party.

5.1.2 Party B has the full right and authorization to sign and deliver this Agreement and all other documents related to the transactions described in this Agreement that Party B will sign, and it has the full right and authorization to complete the transactions described in this Agreement. This Agreement is legally and properly signed and delivered by Party B. This Agreement constitutes a legal and binding obligation for Party B and can be enforced according to the terms of this Agreement.

5.1.3 Upon the effectiveness of this Agreement, Party B is the legal shareholder of Party C registered by the industrial and commercial authorities and recorded in the register of shareholders. Except for the rights set in this Agreement, the Share Pledge Agreement, the Exclusive Option Agreement and the transaction agreements (as defined in the Share Pledge Agreement), there is no third party right in the entrustment rights. According to this Agreement, Party A and/or the Trustee can fully exercise the entrustment rights according to the then effective articles of association of Party C.

5.1.4 The signing, delivery and performance of this Agreement and the completion of the transactions under this Agreement do not violate the provisions of PRC laws, and do not violate any binding agreements, contracts or other arrangements that it has reached with any third party.

5.2 Party A and Party C hereby represent and warrant as follows:

5.2.1 Party A and Party C are limited liability companies duly registered and legally existing according to the laws of their place of registration, with independent legal personality, have complete and independent legal status and legal capacity to sign, deliver and perform this Agreement, and can independently be the litigation subject as a party.

5.2.2 Party A and Party C have full rights and authorization within the company to sign and deliver this Agreement and all other documents related to the transactions described in this Agreement which they will enter into, and they have full rights and authorization to complete the transactions described in this Agreement.

5.3 Party C further represents and warrants as follows:

5.3.1 Party B is the legal shareholder of Party C when this Agreement comes into effect. Except for the rights set in this Agreement, the Share Pledge Agreement, the Exclusive Option Agreement and transaction agreements (as defined in the Share Pledge Agreement), there is no third party right in the entrustment rights. According to this Agreement, Party A and/or the Trustee can fully exercise the entrustment rights according to the then effective articles of association of Party C.

5.3.2 The signing, delivery and performance of this Agreement and the completion of the transactions under this Agreement do not violate the provisions of PRC laws, or any of its articles of association, rules and bylaws or other charter documents, and do not violate any binding agreements, contracts or other arrangements that it has reached with any third party.

6. Assignment

Party A has the right to decide on its own to delegate or assign this Agreement and/or its rights related to this Agreement to other Designees without prior notice to Party B or Party C, or the consent of Party B or Party C.

7. Term of agreement

7.1 On the premise that Party B or Party B's successor or transferee of Party C's Equity at that time is a shareholder of Party C, this Agreement will come into force, be irrevocable and continue to be valid as of the date of signing, unless Party A gives a written instruction to the contrary, or terminates this Agreement in advance according to Article 7.2 or Article 8 of this Agreement. Once Party A notifies Party B in writing to terminate this Agreement in whole or in part or change the Trustee, Party B will immediately withdraw the entrustment and authorization made to Party A and the Trustee here, and immediately sign the Power of Attorney with the same format as the Power of Attorney in Annex I of this Agreement under the written instruction of Party A, and make authorization and entrustment with the same content as this Agreement to other persons or entities nominated by Party A.

7.2 This Agreement will automatically terminate under the following circumstances: (a) When PRC law allows Party A or the Designee to directly hold the equity of Party C and legally engage in the business of Party C, and Party A or the Designee is officially registered as the sole shareholder of Party C; or (b) Party A or the Designee purchases all the assets of Party C according to the Exclusive Option Agreement, and uses the assets of Party C to legally engage in the business of Party C.

8. Default liability

8.1 Subject to other articles of this Agreement (including but not limited to Article 12.1), the parties agree and confirm that if either party (hereinafter referred to as

the "**Defaulting Party**") violates any agreement under this Agreement, or fails to perform or delays in performing any obligation under this Agreement, it will constitute a default (hereinafter referred to as "**default**"), and any one of the other non-defaulting parties (hereinafter referred to as "**Observant Party**") has the right to require the Defaulting Party to make corrections or take remedial measures within a reasonable period. If the Defaulting Party fails to make corrections or take remedial measures within a reasonable period of time or within ten (10) days after the other party's notification in writing to the Defaulting Party for corrections, then

8.1.1 The Observant Party has the right to unilaterally and immediately terminate this Agreement and ask the Defaulting Party to pay damages when Party B or Party C is the Defaulting Party;

8.1.2 The Observant Party shall exempt Party A from its obligation of compensation for damages, when Party A is the Defaulting Party, and have no right to terminate or dissolve this Agreement under any circumstances, unless otherwise provided by law.

8.2 Notwithstanding other provisions of this Agreement, the validity of the provisions of Article 8 will not be affected by the termination of this Agreement.

9. Confidentiality

The parties acknowledge that any oral or written information exchanged by the parties in connection with this Agreement is confidential. Each party shall keep all such information confidential, and shall not disclose any relevant information to any third party without the written consent of other parties, except for the following situations: (a) such information that is known to the public (but it is not disclosed to the public by the receiving party); (b) information required to be disclosed by applicable laws or rules or regulations of any stock exchange; or (c) the information that any party needs to disclose to its legal adviser or financial adviser on the transactions stipulated in this Agreement, and the legal adviser or financial adviser is also bound by the similar confidentiality obligation in this article. The disclosure of any confidential information by the staff or institutions employed by any party shall be regarded as the disclosure of such confidential information by such party, and such party shall be legally liable for the violation of this Agreement. This article shall continue to be valid regardless of the termination of this Agreement for any reason.

10. Governing laws and dispute resolution

10.1 The signing, entry into force, interpretation, performance, modification and termination of this Agreement and the resolution of disputes under this Agreement shall be governed by PRC laws.

10.2 In case of any dispute arising from the interpretation and performance of this Agreement, the parties shall first resolve the dispute through friendly negotiation.

If the parties fail to reach an agreement on the resolution of such disputes within thirty (30) days after a party requests the other parties to resolve the disputes through negotiation, any party may submit the relevant disputes to Beijing Arbitration Commission for arbitration and resolution according to its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language of arbitration shall be Chinese. The arbitration award shall be final and binding on the parties. After the arbitration award comes into effect, any party has the right to apply to the court with jurisdiction to enforce the arbitration award. The arbitration tribunal may rule that Party C's equity interests, assets or properties shall be used to compensate or offset the losses caused to Party A due to other parties' breach of this Agreement, award compulsory relief for relevant business or compulsory asset transfer, or order Party C to go bankrupt. If necessary, the arbitration institution shall have the right to decide that the Defaulting Party immediately stops the breach of agreement or shall not engage in any behavior that may further expand the losses suffered by Party A before making a final decision on the disputes between the parties. Courts in Hong Kong, Cayman Islands or other courts with jurisdiction (including the court where Party C resides, or the court where Party A or Party C's main assets are located shall be deemed to have jurisdiction) also have the right to award or enforce the award of the arbitration tribunal, and have the right to award or enforce temporary relief for Party C's equity interests or properties, and also have the right to make a ruling or judgment to give temporary relief to the party who initiates the arbitration while waiting for the formation of the arbitration tribunal or under other appropriate circumstances, such as ruling or judging that the Defaulting Party immediately stops the breach of agreement, or ruling that the Defaulting Party shall not conduct any behavior that may further expand the losses suffered by Party A.

10.3 In case of any dispute arising from the interpretation and performance of this Agreement or when any dispute is being arbitrated, the parties shall continue to exercise their respective rights and perform their respective obligations under this Agreement, except for the disputed matters.

10.4 After the signing date of this Agreement, if there is any promulgation or change of any Chinese laws, regulations or rules at any time, or the change of interpretation or application of such laws, regulations or rules, the following agreements shall apply: To the extent permitted by PRC laws, (a) if the change of laws or newly promulgated regulations are more favorable to a party than the relevant laws, regulations, decrees or regulations in force on the date of signing this Agreement (while the other parties are not seriously adversely affected), each party shall apply for the benefits brought by the changed or new regulations in time and try its best to get the application approved; or (b) if the economic interests of either party under this Agreement are seriously adversely affected directly or indirectly due to the above-mentioned legal changes or newly promulgated regulations, this Agreement shall continue to be implemented in

accordance with the original terms. Each party shall use all legal means to obtain the exemption from complying with the change or regulation. If the adverse impact on the economic interests of either party cannot be solved according to the provisions of this Agreement, after the affected party notifies other parties, the parties shall negotiate in time and make all necessary amendments to this Agreement to maintain the economic interests of the affected party under this Agreement.

11. Notice

11.1 All notices and other communications required or allowed to be sent according to this Agreement shall be delivered by special person or sent to the address of such party listed in Annex II by registered mail with prepaid postage and commercial express service. The date when such notices are deemed to be effectively served shall be determined as follows:

11.1.1 If the notice is delivered by special person or express delivery service, it shall be deemed to have been effectively served at the designated receiving address of the notice on the date of delivery or rejection.

11.1.2 If the notice is sent by registered mail with prepaid postage, it shall be deemed to have been effectively served on the fifteenth (15th) day after the date on the receipt of the registered mail.

11.2 Each party may change the receiving address of its notice at any time by sending a notice to other parties according to this article.

12. Miscellaneous

12.1 Despite any other provisions in this Agreement or other transaction agreements (as defined in the Share Pledge Agreement) or any other documents or laws, Party B's obligations and responsibilities under this Agreement are several but not joint. This article shall continue to be valid regardless of the termination of this Agreement for any reason.

12.2 Any amendment, change and supplement to this Agreement shall be made in writing and shall come into effect after being signed or sealed by the parties and the government registration procedures (if applicable) are completed.

12.3 Party A can decide at its own discretion to unconditionally terminate this Agreement at any time by sending a written notice to Party B and Party C unilaterally without assuming any responsibility. Party B and Party C have no right to unilaterally terminate this Agreement.

12.4 If the Stock Exchange of Hong Kong Limited or other regulatory agencies put forward any amendment opinions to this Agreement, or if there are any changes related to this Agreement in the securities listing rules or related requirements of the Stock Exchange of Hong Kong Limited, the parties shall make reasonable amendments to this Agreement accordingly.

12.5 All fees and actual expenses related to this Agreement, including but not limited to attorney fees, production costs, stamp duty and any other taxes and expenses, shall be borne by Party C.

12.6 This Agreement is made in four (4) copies, with one (1) copy for each signatory, all of which have the same legal effect.

[The remainder of this page is intentionally left blank.]

(This page is intentionally left blank, and serves as the signature page for the *Shareholders' Rights Entrustment Agreement*)

In witness whereof, this Shareholders' Rights Entrustment Agreement is signed by the parties as of the date and in the place first above written.

Party A: Wuhan Bofeng Technology Co., Ltd.

(Seal)

/s/ Yuan Zhou

(This page is intentionally left blank, and serves as the signature page for the *Shareholders' Rights Entrustment Agreement*)

In witness whereof, this Shareholders' Rights Entrustment Agreement is signed by the parties as of the date and in the place first above written.

Party B:

Yuan Zhou

Signature: /s/ Yuan Zhou

(This page is intentionally left blank, and serves as the signature page for the *Shareholders' Rights Entrustment Agreement*)

In witness whereof, this Shareholders' Rights Entrustment Agreement is signed by the parties as of the date and in the place first above written.

Party B:

Rongle Zhang

Signature: /s/ Rongle Zhang

(This page is intentionally left blank, and serves as the signature page for the *Shareholders' Rights Entrustment Agreement*)

In witness whereof, this Shareholders' Rights Entrustment Agreement is signed by the parties as of the date and in the place first above written.

Party C: Wuhan Xinyue Network Technology Co., Ltd.

(Seal)

/s/ Rongle Zhang

Annex I: Power of Attorney

___ (the "**Shareholder**") is registered to hold ___% equity of Wuhan Xinyue Network Technology Co., Ltd. (the "**Company**"). The Shareholder hereby irrevocably and exclusively authorizes Wuhan Bofeng Technology Co., Ltd. (the "**Trustee**") and its appointed representative trustee to exercise the entrustment rights defined in the Shareholders' Rights Entrustment Agreement (the "**Agreement**") signed by the Shareholder, the Company and the Trustee on __, 2023.

This Power of Attorney is effective at the same time as the Agreement, and is irrevocable.

Shareholder：_____

Signature：_____

Annex II

For the purpose of notification, the contact details of each party are as follows:

Party A: Wuhan Bofeng Technology Co., Ltd.

Address: Room 701, Floors 6-15, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

Recipient: Yuan Zhou

Party B:

Yuan Zhou

Address: **********

Rongle Zhang

Address: **********

Party C: Wuhan Xinyue Network Technology Co., Ltd.

Address: Room 702, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

Recipient: Rongle Zhang

Exhibit 4.17

Power of Attorney

Mr. Yuan Zhou (the "**Shareholder**") is registered to hold 99% equity of Wuhan Xinyue Network Technology Co., Ltd. (the "**Company**"). The shareholder hereby irrevocably and exclusively authorizes Wuhan Bofeng Technology Co., Ltd. (the "**Trustee**") and its appointed representative trustee to exercise the entrustment rights defined in the Shareholders' Rights Entrustment Agreement (the "**Agreement**") signed by the Shareholder, the Company and the Trustee on July 31, 2023.

This Power of Attorney is effective at the same time as the Agreement and is irrevocable.

Shareholder： Yuan Zhou
Signature： /s/ Yuan Zhou

Exhibit 4.17

Power of Attorney

Mr. Rongle Zhang (the "**Shareholder**") is registered to hold 1% equity of Wuhan Xinyue Network Technology Co., Ltd. (the "**Company**"). The shareholder hereby irrevocably and exclusively authorizes Wuhan Bofeng Technology Co., Ltd. (the "**Trustee**") and its appointed representative trustee to exercise the entrustment rights defined in the Shareholders' Rights Entrustment Agreement (the "**Agreement**") signed by the Shareholder, the Company and the Trustee on July 31, 2023.

This Power of Attorney is effective at the same time as the Agreement and is irrevocable.

Shareholder： Rongle Zhang
Signature： /s/ Rongle Zhang

Exhibit 4.18

Share Pledge Agreement

This Share Pledge Agreement (this "**Agreement**") is made and entered into by and between the following parties in Beijing, China on July 31, 2023:

Party A：Wuhan Bofeng Technology Co., Ltd., a limited liability company established and validly existing in accordance with the PRC laws, with its registered address at Room 701, Floors 6-15, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province (the "**Pledgee**").

Party B：Yuan Zhou, ID No.: **********;

Rongle Zhang, ID No.: **********;

(All Party B hereinafter collectively referred to as the "**Pledgor**")

Party C：Wuhan Xinyue Network Technology Co., Ltd., a limited liability company established and validly existing in accordance with the PRC laws, with its registered address at Room 702, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province.

In this Agreement, the Pledgee, the Pledgor and Party C are hereinafter referred to as a "**Party**" respectively and as the "**Parties**" collectively.

Whereas:

1. The Pledgor is shareholder of Party C on the signing date of this Agreement, and collectively holds 100% equity of Party C, of which Yuan Zhou holds 99% equity of Party C (representing RMB 990,000 in the registered capital) and Dahai Li holds 1% equity of Party C (representing RMB 10,000 in the registered capital). Party C is a limited liability company registered in Wuhan City, Hubei Province, China;

2. The Pledgee, a wholly foreign-owned enterprise registered in the People's Republic of China (hereinafter referred to as "**China**"), is 100% directly held by Zhihu Inc. (a company registered under the laws of Cayman Islands) (the "**Cayman Islands Company**").

3. The Pledgee and Party C signed an *Exclusive Business Cooperation Agreement* (including its amendments from time to time, hereinafter referred to as the "**Business Cooperation Agreement**") on the date of signing this Agreement, according to which the Pledgee provides relevant exclusive technical services, technical consultation and other services to Party C;

4. The Parties hereto signed an *Exclusive Option Agreement* (including its amendments from time to time, hereinafter referred to as the "**Exclusive Option Agreement**") on the date of signing this Agreement. If the Pledgee decides to

make a purchase request at its own discretion under the conditions permitted by PRC laws and corresponding conditions, (a) the Pledgor shall transfer all or part of its equity in Party C to the Pledgee and/or its designated party (hereinafter referred to as the "**Designee**", which needs to be the Cayman Islands Company or its direct or indirect wholly-owned subsidiary) according to its requirements; (b) Party C shall transfer all or part of its assets to the Pledgee and/or the Designee according to its requirements;

5. On the date of signing this Agreement, the Parties signed an *Shareholders' Rights Entrustment Agreement* (including its amendments from time to time, hereinafter referred to as "Shareholders' Rights Entrustment Agreement"), and the Pledgor has irrevocably and fully entrusted the person designated by the Pledgee at that time to exercise all the shareholders' entrustment and voting rights of Party C on behalf of the Pledgor;

6. As a guarantee for the Pledgor to fulfill its contractual obligations (as defined below) and pay off the secured obligations (as defined below), each Party intends to sign this Agreement on the equity pledge provided by Party B to Party A. The Pledgor severally but not jointly pledges all its equity in Party C to the Pledgee to provide pledge guarantee for these obligations and debts, and Party C agrees to such equity pledge arrangements.

1. Definition

Unless otherwise provided herein, the terms below shall be explained as follows:

1.1 "**pledge right**" shall refer to the secured interest granted by the Pledgor to the Pledgee according to Article 2, that is, the Pledgee's right to be paid in priority with the amount from the discount, conversion, auction or sale of the pledged equity by the Pledgor to the Pledgee.

1.2 "**equity**" shall refer to all the Party C's equities that the Pledgor legally holds in Party C and has the right to dispose of, and will be pledged to the Pledgee as the guarantee for it and Party C to fulfill their contractual obligations and secured obligations according to the provisions herein (including all registered capital of Party C and all related equity interests owned by the Pledgor respectively, that is, the Pledgor's present and future rights, interests, income, claims, as well as the money and compensation due from now on or in the future on its Party C's equity and the dividends and other amounts distributed by Party C to the Pledgor from time to time) and the additional equity added according to Article 6.7.

1.3 "**term of the pledge**" shall refer to the term specified in Article 3.

1.4 "**event of default**" shall refer to any situation listed in Article 7.

1.5 "**notice of default**" shall refer to the notice issued by the Pledgee to announce the event of default according to this Agreement.

1.6 "**contractual obligations**" shall refer to all contractual obligations undertaken by the Pledgor under the Exclusive Option Agreement and the Shareholders' Rights Entrustment Agreement; all contractual obligations of Party C under the transaction agreement; and all contractual obligations of the Pledgor and Party C under this Agreement.

1.7 "**transaction agreement**" shall refer to this Agreement, the Business Cooperation Agreement, the Exclusive Option Agreement and Shareholders' Rights Entrustment Agreement, or one or more of such agreements.

1.8 "**secured obligation(s)**" shall refer to (a) all payments owed by Party C to the Pledgee (including but not limited to the consulting and service fees (whether on the specified due date, through prepayment or otherwise) payable to the Pledgee according to the Business Cooperation Agreement) and the interest, liquidated damages (if any), compensation, legal fees, arbitration fees, equity evaluation and auction, and other expenses for realizing the pledge; (b) All direct, indirect, derivative losses and loss of predictable benefits suffered by the Pledgee due to any default by the Pledgor and Party C. The amount basis of these losses includes but is not limited to the Pledgee's reasonable business plan and profit forecast; (c) All expenses incurred by the Pledgee to force the Pledgor and/or Party C to perform its contractual obligations; and (d) any loan provided by the Pledgee to Party C according to Article 6.9.

1.9 "**PRC laws**" shall include any laws, regulations, rules, notices, explanations or other binding documents issued by any central or local legislative, administrative or judicial department before or after the signing of this Agreement.

1.10 "**secured interests**" shall include guarantees, mortgages, third-party rights or interests, any options, purchase rights, pre-emptive rights, set-off rights, ownership retention or other guarantee arrangements, etc.

2. Pledge Right

2.1 As a guarantee for the immediate and complete payment of the secured obligation and the performance of contractual obligations, the Pledgor hereby severally but not jointly pledges their respective equities to the Pledgee in the way of first priority pledge according to this Agreement. Party C agrees that the Pledgor will pledge the equity to the Pledgee in accordance with this Agreement.

2.2 The Parties understand and agree that the monetary valuation arising from or related to the secured obligation is a variable and floating valuation until the final account date (as defined in Article 2.4). The Pledgor and the Pledgee may adjust and confirm the maximum amount of the secured obligation of the total equity from time to time before the final account date by the way that the Parties agree to amend and supplement this Agreement due to the change of the secured obligation and the monetary valuation of the equity.

2.3 In case of any of the following events ("**causes of final accounts**"), the value of the secured obligation shall be determined according to the total amount of the secured obligation payable to the Pledgee due and unpaid on the latest date before or on the day of the causes of final accounts ("**determined debts**"):

(a) The Business Cooperation Agreement expires or is terminated according to relevant agreements under it;

(b) The event of default specified in Article 7 has occurred and has not been resolved, which causes the Pledgee to serve a notice of default to the Pledgor according to Article 7.3;

(c) The Pledgee reasonably believes that Party B and/or Party C have lost their solvency or may be placed in a state of insolvency through proper investigation; or

(d) Any other event required to determine the secured obligation according to PRC laws and regulations.

2.4 For the avoidance of doubt, the date of the causes of final accounts should be the final account date (the "**final account date**"). The Pledgee has the right to realize the pledge right according to Article 8 with its discretion on or after the final account date.

2.5 During the term of the pledge (as defined in Article 3.1), the Pledgee has the right to deposit any dividend or other distributable benefits arising from equity and use it to repay the Pledgee in priority. The Pledgor shall, after receiving the written request of the Pledgee, deposit the yields (or the Pledgor shall urge Party C to deposit them) into the account designated by the Pledgee in writing and be supervised by the Pledgee; without the written consent of the Pledgee, the Pledgor shall not withdraw the above yields deposited into the account designated by the Pledgee in writing.

2.6 During the validity period of this Agreement, the Pledgee will not be responsible for any reduction of equity value unless the Pledgee has intentional or gross negligence, and the Pledgor has no right to pursue any form of recourse or make any request against the Pledgee.

2.7 Without violating the agreement in Article 2.6 of this Agreement, if there is any possibility that the value of equity decreases significantly enough to endanger the rights of the Pledgee, the Pledgor agrees that the Pledgor can auction or sell the equity on behalf of the Pledgor at any time, and agree with the Pledgor to use the proceeds from the auction or sale to pay off the secured obligation in advance or deposit with the notary office where the Pledgee is located (any expenses incurred therefrom shall be paid by the proceeds from the auction or sale).

2.8 The equity pledge established under this Agreement is a continuous guarantee, and its validity shall continue until the contractual obligations are fully fulfilled

and the secured obligations are fully paid off. The Pledgee's exemption or grace for any default by the Pledgor or the Pledgee's delay in exercising any of its rights under the transaction agreement and this Agreement shall not affect the Pledgee's right to ask the Pledgor and Party C to strictly implement the transaction agreement and this Agreement, or the Pledgee's rights due to the Pledgor and Party C's subsequent violation of the transaction agreement and/or this Agreement at any time in the future under this Agreement, relevant PRC laws and the transaction agreement.

3. Term of the Pledge

3.1 The pledge right shall come into effect from the date when the equity pledge under this Agreement is registered with the administration for market regulation department (hereinafter referred to as "**Registration Authority**") where Party C is located, and the validity period of the pledge (hereinafter referred to as "**term of the pledge**") shall be from the above effective date until: (a) the last secured obligation and contractual obligations secured by the pledge right are fully paid and fulfilled; or (b) the Pledgee and/or the Designee decide to purchase all the equities of Party C held by the Pledgor according to the Exclusive Option Agreement under the premise of PRC laws, and all the equities of Party C have been transferred to the Pledgee and/or the Designee, and the Pledgee and the Designee can legally engage in the business of Party C; or (c) the Pledgee and/or the Designee decide to purchase all the assets of Party C according to the Exclusive Option Agreement under the premise of PRC laws, and all the assets of Party C have been transferred to the Pledgee and/or the Designee, and the Pledgee and the Designee can legally engage in the business of Party C by using the above assets; or (d) the Pledgee unilaterally requests to terminate this Agreement (the Pledgee's right to terminate this Agreement has no restrictive conditions, this right is only enjoyed by the Pledgee, and the Pledgor or Party C does not have the right to unilaterally terminate this Agreement); or (e) it terminates in accordance with the relevant applicable PRC laws and regulations.

3.2 During the term of the pledge, if Party B and/or Party C fail to fulfill their contractual obligations or pay the secured obligations (including paying exclusive consulting or service fees according to the Business Cooperation Agreement or failing to fulfill any other aspects of the transaction agreement), the Pledgee shall have the right but not the obligation to dispose of the pledge right according to the provisions of this Agreement.

4. Registration of Pledge Right

4.1 The Pledgor and Party C agree and promise that after the signing of this Agreement, Party C shall, and the Pledgor shall urge Party C to, immediately record the equity pledge arrangement under this Agreement in Party C's register of shareholders on the day of signing this Agreement; and go through all the registration procedures of equity pledge according to the *Measures for the Registration of Equity Pledge* within thirty (30) days after the signing date of

this Agreement or a longer period agreed by the Pledgee, and obtain the registration notice issued by the Registration Authority, and the Registration Authority will completely and accurately record the equity pledge matters in the equity pledge register.

4.2 Within the term of the pledge stipulated in this Agreement, the Pledgor shall deliver the original equity contribution certificate and the register of shareholders recording the pledge right (and other documents reasonably required by the Pledgee, including but not limited to the pledge registration notice issued by the market supervision and administration department) to the Pledgee for safekeeping within one week from the date of completing the pledge registration according to Article 4.1 above. The Pledgee shall keep these documents throughout the term of the pledge stipulated in this Agreement.

5. Representation and Warranty of the Pledgor and Party C

The Pledgor severally but not jointly represents and warrants the following Articles 5.1 to 5.13 to the Pledgee:

5.1 The Pledgor has complete and independent legal status and legal capacity under PRC laws, and has been duly authorized to sign, deliver and perform this Agreement, and can independently act as a litigant as one party.

5.2 The Pledgor is the sole legal owner and beneficial owner of the equity it holds. The Pledgor has full rights and powers to pledge the equity it holds to the Pledgee according to the provisions of this Agreement, and the Pledgor also has the right to dispose of the equity it holds or any part thereof. Unless otherwise agreed by the Pledgor and the Pledgee, the Pledgor enjoys legal and complete ownership of the equity it holds.

5.3 Unless otherwise stipulated in the transaction agreement, the Pledgee shall have the right to dispose of and transfer the equity according to the provisions specified in this Agreement.

5.4 Unless otherwise stipulated in the pledge right or transaction agreement, the Pledgor has not set any secured interest or other encumbrances on the equity held by the Pledgor. There is no dispute over the ownership of the equity held by the Pledgor, or any payable and unpaid taxes and fees related to the equity held by the Pledgor, or restriction by seizure or other legal procedures or similar threats, and can be used for pledge and transfer according to applicable laws.

5.5 The Pledgor will sign this Agreement, exercise its rights or perform its obligations under this Agreement, and will not violate or contradict any laws, regulations, court decisions, awards of any arbitration organs, decisions of any administrative organs, any agreements or contracts to which the Pledgor is a party or binding on its assets, or any promises made by the Pledgor to any third party.

5.6 All documents, materials, statements and vouchers provided by the Pledgor to the Pledgee are accurate, true, complete and effective, whether provided before or after this Agreement takes effect, or during the term of the pledge.

5.7 After this Agreement is properly signed by the Pledgor and comes into effect according to the terms of this Agreement, it constitutes a legal, effective and binding obligation for the Pledgor.

5.8 The Pledgor has the full right and authorization to sign and deliver this Agreement and all other documents related to the transactions mentioned in this Agreement, and has the full right and authorization to complete the transactions mentioned in this Agreement.

5.9 Except for the registration of equity pledge establishment that needs to be handled with the Registration Authority, the Pledgor has obtained or handled the consent, permission, waiver and authorization of any third party or the approval, permission and exemption of any government agency or the registration or filing procedures with any government agency (if required by law) for the signing and performance of this Agreement and the effectiveness of the equity pledge under this Agreement, and will be fully and continuously valid within the validity period of this Agreement.

5.10 The pledge under this Agreement constitutes the first-order secured interest of the equity held by the Pledgor.

5.11 All taxes and fees due to the acquisition of equity held by the Pledgor have been paid in full by the Pledgor.

5.12 There is no pending or, to the knowledge of the Pledgor, threatening lawsuit, legal procedure or claim against the Pledgor, its property, or the equity held by the Pledgor in any court or arbitration tribunal, or any government agency or administrative organ, which could have a significant or adverse impact on the economic situation of the Pledgor or its ability to fulfill its obligations and guarantee responsibilities under this Agreement.

5.13 Unless otherwise stipulated in this Agreement, once the Pledgee exercises the Pledgee's rights against the Pledgor according to this Agreement at any time, there should be no interference from any other party.

5.14 The Pledgor hereby severally but not jointly warrants to the Pledgee that the representations and warranties from Articles 5.1 to 5.13 above are true, correct, accurate and complete at any time and under any circumstances before the contractual obligations are fully performed or the secured obligations are fully paid off, and will be fully observed.

Party C represents and warrants to the Pledgee as follows:

5.15 Party C is a limited liability company registered and validly existing in accordance with PRC laws, with independent legal personality, and can

independently act as a litigant as one party, has formally registered with the competent administration for market regulation department, and passed annual inspection or submitted annual report; and has complete and independent legal status and legal capacity, and has been duly authorized to sign, deliver and perform this Agreement.

5.16 After this Agreement is properly signed by Party C and comes into effect according to the terms of this Agreement, it constitutes a legal, effective and binding obligation for Party C.

5.17 Party C has full rights and authorization within Party C to sign and deliver this Agreement and all other documents related to the transactions described in this Agreement, and has full rights and authorization to complete the transactions described in this Agreement.

5.18 The assets owned by Party C do not have any significant secured interests or other encumbrances that may affect the rights and interests of the Pledgee in the equity (including but not limited to the transfer of any intellectual property rights of Party C or any assets with a value of RMB 500,000 or more (or any amount otherwise agreed by the Pledgor and the Pledgee), or any property rights or use rights burdens attached to such assets).

5.19 There is no lawsuit, arbitration, administrative procedure, administrative penalty or other legal procedure against the equity, Party C or its assets that are pending or known by Party C to be threatening in any court or arbitration tribunal, or any government agency or administrative organ, which could have a significant or adverse impact on the economic situation of Party C or the ability of the Pledgor or Party C to fulfill its obligations and guarantee responsibilities under this Agreement.

5.20 Party C hereby agrees to bear joint and several liabilities to the Pledgee for the representations and warranties made by the Pledgor under this Agreement.

5.21 Party C's signing of this Agreement, exercise of its rights or performance of its obligations under this Agreement will not violate or conflict with any laws, regulations, court decisions, rulings of any arbitration organs, decisions of any administrative organs, any agreements or contracts to which Party C is a party or which are binding on its assets, or any promises made by Party C to any third party.

5.22 All documents, materials, statements and vouchers provided by Party C to the Pledgee are accurate, true, complete and effective, whether provided before or after this Agreement takes effect or during the term of the pledge.

5.23 Except for the registration of equity pledge establishment that needs to be handled with the Registration Authority, the consent, permission, waiver and authorization of any third party or the approval, permission and exemption of any government agency or the registration or filing procedures with any

government agency (if required by law) that need to be obtained or handled for the signing and performance of this Agreement and the effectiveness of the equity pledge under this Agreement have been obtained or handled, and are fully and continuously valid within the validity period of this Agreement.

5.24 The pledge under this Agreement constitutes the first-order secured interest of equity.

5.25 Party C hereby warrants to the Pledgee that the above representations and warranties are true and correct at any time and under any circumstances before the contractual obligations are fully performed or the secured obligations are fully paid off, and will be fully observed.

6. Pledgor and Party C's Promise and Further Consent

6.1 During the validity period of this Agreement, the Pledgor hereby severally but not jointly promises to the Pledgee that:

6.1.1 Except for the fulfilment of the Exclusive Option Agreement or other transaction agreements, the Pledgor shall not transfer, or allow others to transfer all or any part of the equity held by the Pledgor, or set up or allow any secured interest or other encumbrance that may affect the Pledgee's rights and interests in the equity held by the Pledgor without the Pledgee's prior written consent. In case of equity transfer held by the Pledgor with the written consent of the Pledgee, the Pledgor shall first use the proceeds from the transfer of equity to pay off the secured obligation in advance to the Pledgee or deposit with a third party agreed with the Pledgee;

6.1.2 The Pledgor shall abide by and implement all laws and regulations applicable to pledge of rights, present to the Pledgee the notice, order or suggestion issued or made by the relevant competent authority (or any other relevant party) on pledge right within five (5) days after receiving any notice, order or suggestion, and shall abide by the above notice, order or suggestion or raise objections and statements on the above matters according to the reasonable requirements of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received by the Pledgor that may affect the rights of the Pledgee to the equity held by the Pledgor or any part thereof (including but not limited to any lawsuit, arbitration, other claim, ownership dispute of any third party over the equity, or other adverse effects on the pledge rights from any third party that the Pledgee has suffered or may suffer, or any civil or criminal lawsuit, administrative lawsuit, arbitration or any other legal procedure against the Pledgor or the equity held by the Pledgor, or the knowledge by the Pledgor to be threatened by any of the above lawsuits, arbitration or other legal procedures), or the interests of the Pledgee

under the transaction agreement and this Agreement, and any event or notice received by the Pledgor that may affect any warranty and other obligations of the Pledgor arising from this Agreement, and take all reasonable and necessary measures to ensure the Pledgee's pledge rights and interests of the equity held by the Pledgor according to the reasonable requirements of the Pledgee.

6.2 If the Pledgor agrees severally but not jointly that the Pledgee's right to pledge under this Agreement shall not be interrupted or impaired by the Pledgor or any representative of the Pledgor or any other person through legal procedures.

6.3 In order to protect or improve the secured interests granted by this Agreement for the payment of secured obligations and the performance of contractual obligations, and to ensure the Pledgee's rights and interests in equity pledge and the exercise and realization of these rights, Party C shall, and the Pledgor shall urge Party C to, immediately register the equity pledge under this Agreement with the relevant registration authority within thirty (30) days after the signing of this Agreement or within a longer period agreed by the Pledgee, sincerely sign, and urge other parties with interests in the pledge right to sign all documents (including but not limited to the supplementary agreement of this Agreement), certificates, agreements, deeds and/or promises reasonably required by the Pledgee. The Pledgor also promises to do and urge other parties with interests in the pledge right to do what the Pledgee reasonably requires, to facilitate the Pledgee to exercise its rights and authorizations granted by this Agreement, and to sign all relevant documents on equity ownership with the Pledgee or its designated person. The Pledgor promises to provide the Pledgee with all notices, orders and decisions about the pledge required by the Pledgee within a reasonable period.

6.4 The Pledgor hereby severally but not jointly promises to the Pledgee that it will abide by and perform all the warranties, promises, agreements, representations and conditions applicable to it under this Agreement. Subject to other provisions of this Agreement, if the Pledgor fails to fulfill its warranties, promises, agreements, representations and conditions in whole or in part, the Pledgor shall severally but not jointly compensate the Pledgee for all losses caused thereby.

6.5 If the pledged equity under this Agreement is subject to any compulsory measures implemented by the court or other government departments for any reason, the Pledgor (severally but not jointly) shall make all reasonable efforts, including (but not limited to) providing other warranties to the court or taking other measures to relieve the compulsory measures taken by the court or other departments on the equity held by the Pledgor.

6.6 Subject to other provisions of this Agreement (including but not limited to Article 19.1), if the equity involves any property preservation or enforcement, or if the equity has any possibility of value reduction or loss, which is enough to endanger the rights of the Pledgee, the Pledgor shall immediately notify the

Pledgee in writing of the situation and cooperate with the Pledgee to take effective measures to protect the rights and interests of the Pledgee. The Pledgee may auction or sell the equity at any time, and use the proceeds from auction or sale to pay off the secured obligation or deposit in advance. Any expenses incurred therefrom shall all be borne by the Pledgee.

6.7 Without the Pledgee's prior written consent, the Pledgor (severally but not jointly) and/or Party C shall not increase, decrease or transfer the registered capital of Party C (or its capital contribution to Party C) or set any encumbrance on it (including equity) by itself (or assist others). On the premise of complying with this provision, the equity of Party C registered and acquired by a Pledgor after the date of this Agreement (hereinafter referred to as "**additional equity**") and the share capital corresponding to the equity in the registered capital of Party C shall also be pledged by the Pledgor to the Pledgee according to this Agreement. The Pledgor and Party C shall immediately sign a supplementary share pledge agreement with the Pledgee on the additional equity when it is obtained by the Pledgor, so as to urge the board of directors (or executive directors) of Party C to approve the supplementary share pledge agreement, and shall submit all documents required for the supplementary share pledge agreement to the Pledgee, including but not limited to the original shareholder contribution certificate on the additional equity issued by Party C. The Pledgor and Party C shall register the pledge establishment (or change) of additional equity in accordance with Article 4.1 and deliver relevant documents to the Pledgee for safekeeping in accordance with Article 4.2 of this Agreement.

6.8 Unless written instructions to the contrary are given by the Pledgee in advance, the Pledgor (severally but not jointly) and/or Party C agree that if part or all of the equity is transferred between a Pledgor and any third party (hereinafter referred to as "**Equity Assignee**") in violation of this Agreement, the Pledgor and/or Party C shall ensure that the Equity Assignee unconditionally recognizes the pledge right and performs the necessary registration procedures for pledge change (including but not limited to signing relevant documents) to ensure the existence of the pledge right.

6.9 If the Pledgee provides a loan to Party C, the Pledgor (severally but not jointly) and/or Party C agree to grant the Pledgee with the equity as the pledge to guarantee the further loan, and perform the relevant formalities as soon as possible according to the requirements of laws, regulations or local practices (if any), including but not limited to signing relevant documents and handling the registration procedures for the establishment (or change) of the pledge.

6.10 The Pledgor shall not conduct or allow any behavior or action that may adversely affect the rights or equity of the Pledgee under the transaction agreement and this Agreement. The Pledgor hereby irrevocably waives the right of preemption when the Pledgee realizes the pledge right.

6.11 If any equity assignment is caused by the exercise of pledge right under this Agreement, the Pledgor warrants to take all measures to realize such assignment within the scope permitted by PRC laws.

6.12 The Pledgor shall ensure that Party C will not lend or borrow loans, or provide warranties or make other forms of guarantees, or undertake any major obligations outside normal business activities.

6.13 The Pledgor shall ensure that the procedure, voting method and content of the meeting of Party C's board of directors convened or resolution made by the executive director for the purpose of signing this Agreement, setting pledge right and exercising pledge right do not violate laws, administrative regulations or the articles of association of Party C.

6.14 Before the contractual obligations are fulfilled and the secured obligations are fully paid off, the Pledgor shall not give up the equity it holds pledged to the Pledgee according to this Agreement, and/or give up the yields arising from holding the above equity, including but not limited to dividends.

6.15 Before the contractual obligations are fulfilled and the secured obligations are fully paid off, the Pledgor shall ensure that the directors appointed by the Pledgor to Party C shall not agree to Party C's assignment, sale or disposal of any of its assets by any resolution without the Pledgee's prior written consent.

6.16 As a shareholder of Party C, the Pledgor shall not abuse its shareholder rights to harm the interests of Party C. If this happens, the Pledgee has the right to exercise the option under the Exclusive Option Agreement.

6.17 If, according to applicable laws, any amendment, supplement or update to this Agreement can only come into effect after the corresponding pledge change approval and/or registration procedures are completed, Party C and Party B shall take all necessary measures to cooperate with Party C to go through the registration procedures for such changes in relevant registration authorities within five (5) days from the date of completion of such amendment, supplement or update.

Party C promises and further agrees as follows:

6.18 If it is necessary to obtain the consent, permission, waiver or authorization of any third party or the approval, permission or exemption of any government agency or go through registration or filing procedures with any government agency (such as required by law) for the signing and performance of this Agreement and the equity pledge under this Agreement, then Party C will take all measures to assist in obtaining and keeping the pledge fully effective within the validity period of this Agreement. If the business term of Party C expires within the validity period of this Agreement, Party C shall complete the registration formalities for extending the business term before its expiration, so as to ensure the continued validity of this Agreement.

6.19 Without the prior written consent of the Pledgee, Party C will not assist or allow the Pledgor to set up any new pledge or grant any other secured interest in the equity, nor will it assist or allow the Pledgor to assign the equity.

6.20 Party C agrees to strictly abide by its obligations under Article 6.3, 6.7, 6.8, 6.9, 6.11, 6.12, 6.14, 6.15 and 6.17 of this Agreement.

6.21 Without the Pledgee's prior written consent, Party C shall not assign or sell the assets of Party C, or set or allow any secured interests or other encumbrances that may affect the Pledgee's rights and interests in the equity (including but not limited to the transfer of any intellectual property rights of Party C or any assets with a value of RMB 500,000 or more (or any amount otherwise agreed by the Pledgor and the Pledgee), or any property rights or use rights burdens attached to such assets).

6.22 When any lawsuit, arbitration or other claim occurs, which may adversely affect the interests of Party C, the equity or the Pledgee under the transaction agreement and this Agreement, Party C warrants that it will notify the Pledgee in writing as soon as possible and in a timely manner, and take all necessary measures to ensure the Pledgee's pledge rights and interests of the equity according to the reasonable requirements of the Pledgee.

6.23 Party C shall not conduct or allow any behavior or action that may adversely affect the interests or equity of the Pledgee under the transaction agreement and this Agreement.

6.24 Party C will provide the Pledgee with the financial statements of Party C for the previous calendar quarter, including but not limited to the balance sheet, income statement and cash flow statement, in the first month of each calendar quarter.

6.25 Party C warrants to take all necessary measures and sign all necessary documents according to the reasonable requirements of the Pledgee, so as to ensure the Pledgee's pledge rights and interests of equity and the exercise and realization of these rights and interests.

6.26 If any equity assignment is caused by the exercise of pledge right under this Agreement, Party C warrants to take all measures to complete such assignment.

6.27 In case of death, incapacity, marriage, divorce, bankruptcy or other events that may affect the Pledgor's exercise of Party C’s equity, the Pledgor's successors or shareholders or assignees of Party C’s equity at that time will be regarded as the signatories of this Agreement, and inherit/assume all rights and obligations of the Pledgor under this Agreement.

6.28 In case of dissolution or liquidation of Party C at the request of PRC laws, this Agreement will be terminated, and Party C shall (and Party B shall agree to allow Party C to) transfer all assets including equity of Party C to Party A at the lowest price allowed by Chinese law for free or at the lowest price allowed by the then PRC laws, or the then liquidator will dispose all assets including equity

of Party C in order to protect the interests of shareholders and/or creditors of Party A's overseas direct or indirect parent company.

6.29 Each Party separately warrants to the other Parties that once PRC laws permit and the Pledgee decides to purchase all the equities of Party C held by the Pledgor according to the Exclusive Option Agreement, each party will immediately dissolve this Agreement.

7. Event of Default

7.1 The following situations shall be regarded as an event of default:

7.1.1 The Pledgor violates or fails to perform any of its contractual obligations under the Exclusive Option Agreement, Shareholders' Rights Entrustment Agreement and/or this Agreement, or Party C violates or fails to perform any of its contractual obligations under the transaction agreement and/or this Agreement;

7.1.2 Any representation or warranty made by the Pledgor in Article 5 of this Agreement contains serious misrepresentation or error, and/or the Pledgor violates any warranty in Article 5 and/or any promise in Article 6;

7.1.3 Party C fails, or Party B fails to cooperate with Party C, to complete the registration of equity pledge by the Registration Authority as stipulated in Article 4.1;

7.1.4 The Pledgor and Party C violate any provision or article of this Agreement;

7.1.5 Except as specified in Article 6.1.1, the Pledgor assigns or intends to assign or give up the pledged equity or concedes the pledged equity without the written consent of the Pledgee;

7.1.6 The Pledgor's own loan, warranty, compensation, promise or other liabilities to any third party (a) is required to be repaid or performed in advance due to breach of contract by the Pledgor; or (b) has expired but cannot be repaid or performed as scheduled;

7.1.7 The Pledgor cannot repay general debts or other debts;

7.1.8 Any approval, license, consent, permission or authorization of government agencies that make this Agreement enforceable, legal and effective is withdrawn, suspended, invalidated or substantially changed;

7.1.9 The promulgation of applicable laws makes this Agreement illegal or makes the Pledgor unable to continue to perform its obligations under this Agreement;

7.1.10 The property owned by the Pledgor is adversely changed, which causes the Pledgee to believe that the Pledgor's ability to fulfill its obligations under this Agreement has been affected;

7.1.11 Party C or its successors or custodians can only partially fulfill or refuse to fulfill the payment obligations under the Business Cooperation Agreement, or the Pledgor and/or Party C can only partially pay off or refuse to pay off the secured obligations; and

7.1.12 Any other circumstances in which the Pledgee cannot or may not be able to exercise its rights against the pledge right.

7.2 Once the Pledgor and Party C know or discover that any situation mentioned in Article 7.1 or any event that may lead to the above situation has occurred, they shall immediately notify the Pledgee in writing accordingly.

7.3 Subject to other provisions of this Agreement (including but not limited to Article 19.1), unless the event of default listed in Article 7.1 has been resolved to the satisfactory of the Pledgee within thirty (30) days from the date of the Pledgee's notice, the Pledgee may issue a notice of default to the Pledgor at any time after the occurrence of the event of default, and exercise all the rights and powers of relief for default that it enjoys according to PRC laws, transaction agreements and the provisions of this Agreement, including but not limited to:

(a) Requiring Party C to immediately pay all outstanding payments due and payable under the Business Cooperation Agreement, all arrears under the transaction agreement and all other payments due and payable to the Pledgee, and/or repay the loan; and/or

(b) Dispose of the pledge right according to Article 8 and/or dispose of the pledged equity in other ways within the scope permitted by law (including but not limited to being compensated with priority from the proceeds by discounting all or part of the equity, or auction or sale of the equity).

Subject to other provisions of this Agreement (including but not limited to Article 19.1), the Pledgee has the right to choose to exercise any of the above rights at its own discretion. In this case, other Parties shall unconditionally agree to give full cooperation. The Pledgee is not responsible for any losses caused by its reasonable exercise of these rights and powers.

7.4 The Pledgee has the right to appoint its lawyer or other agent in writing to exercise any and all rights and powers mentioned above, and neither the Pledgor nor Party C shall raise any objection to this.

7.5 Subject to other provisions of this Agreement (including but not limited to Article 19.1), the Pledgee has the right to choose to exercise any remedies for default that it enjoys at the same time or successively, and the Pledgee does not need to exercise other remedies for default before exercising the rights of auction or sale of equity under this Agreement.

8. Exercise of Pledge Right

8.1 Unless stipulated in the Exclusive Option Agreement or other transaction agreements, the Pledgor shall not transfer the pledge right or the equity in Party C without the written consent of the Pledgee before the contractual obligations are fully fulfilled and the secured obligations are fully repaid.

8.2 When exercising the pledge right, the Pledgee may issue a notice of default to the Pledgor according to Article 7.3.

8.3 Subject to the provisions of Article 7.3, the Pledgee may exercise the right to enforce the pledge right at the same time as or at any time after the notice of default is issued according to Article 7.3. Once the Pledgee chooses to enforce the pledge right, the Pledgor shall no longer have any rights or interests related to equity.

8.4 When the Pledgee exercises the pledge right, the Pledgee has the right to dispose of the pledged equity in accordance with the law within the permitted scope and according to applicable laws. All the amount received by the Pledgee for exercising its pledge right shall be handled in the following order:

(a) Pay all expenses (including the lawyer's fees and the agent's fees) arising from the disposal of equity and the Pledgee's exercise of its rights and powers;

(b) Pay the taxes payable due to the disposal of equity;

(c) Repay the secured obligation to the Pledgee.

If there is any amount remained after deducting the above amount, the remaining amount (without interest) shall be paid to the Pledgor or other persons who have the right to receive the amount according to the relevant PRC laws or deposited with the notary office where the Pledgee is located (any expenses incurred therefrom shall be paid from the remaining amount).

8.5 When the Pledgee disposes of the pledge right according to this Agreement, the Pledgor and Party C shall provide necessary assistance to enable the Pledgee to enforce the pledge right.

8.6 All the actual expenses, taxes and all legal fees related to the setting of equity pledge and the realization of the Pledgee's rights under this Agreement shall be borne by Party C, except those that are borne by the Pledgee according to the law, and the Pledgee has the right to deduct these fees from the amount obtained by exercising its rights and powers according to the amount actually incurred.

8.7 When the Pledgee exercises its pledge right to equity according to this Agreement, the amount of the secured obligation that it has determined by itself shall be taken as the final evidence of the secured obligation under this Agreement.

9. Assignment

9.1 Without the prior written consent of the Pledgee, the Pledgor shall not assign or delegate its rights and obligations under this Agreement.

9.2 The Pledgor and Party C agree that, without the violation of the then PRC laws, the Pledgee can delegate or assign any rights that it can exercise under this Agreement, the transaction agreement and other security documents to any designated person in any way on terms and conditions that it deems appropriate (including the right to delegate again) after informing the Pledgor and Party C.

9.3 This Agreement shall be binding on the Pledgor and Party C and their respective successors and permitted assignees (if any), and shall be valid for the Pledgee and each successor and assignee.

9.4 If at any time the Pledgee assigns any and all of its rights and obligations under the transaction agreement to its designated person, the assignee shall enjoy and assume the rights and obligations of the Pledgee under this Agreement as if it were the original party of this Agreement. When the Pledgee assigns the rights and obligations under the transaction agreement, the Pledgor and/or Party C shall sign the relevant agreement or other documents related to the assignment at the request of the Pledgee.

9.5 If the Pledgee is changed due to the assignment of transaction agreement and/or this Agreement, the Pledgor and Party C shall sign a new share pledge agreement with the new pledgee at the request of the Pledgee on the same terms and conditions as this Agreement and handle the corresponding pledge registration.

9.6 The Pledgor shall strictly abide by the provisions of this Agreement and other contracts signed by the Pledgor, including the transaction agreement, fulfill its obligations under this Agreement and other contracts (including the transaction agreement), and refrain from any action/omission that may affect its effectiveness and enforceability. Unless instructed in writing by the Pledgee, the Pledgor shall not exercise any remaining rights of the equity pledged under this Agreement.

10. Termination

At the expiration of the term of the pledge, this Agreement shall be terminated, the Pledgee shall cancel or terminate this Agreement as soon as reasonably practicable, and cancel the equity pledge under this Agreement, the Pledgor and Party C shall record the cancellation of equity pledge in the register of shareholders of Party C, and go through the cancellation registration at the relevant registration authority, and the reasonable expenses arising from the cancellation of equity pledge shall be borne by Party C. Articles 12, 13 and 19.1 shall remain valid after the termination of this Agreement.

11. Handling Fees and Other Expenses

All expenses and actual costs related to this Agreement, including but not limited to attorney fees, production costs, stamp duty and any other taxes and expenses, shall be borne by Party C. If the applicable law requires the Pledgee to bear some related taxes and fees, Party C shall fully repay the taxes and fees already paid by the Pledgee.

12. Confidentiality

The Parties acknowledge that any oral or written information exchanged by the Parties in connection with this Agreement is confidential. Each party shall keep all such information confidential, and shall not disclose any relevant information to any third party without the written consent of other Parties, except for the following situations: (a) such information that is known to the public (but it is not disclosed to the public by the receiving party); (b) information required to be disclosed by applicable laws or rules or regulations of any stock exchange; or (c) the information that any party needs to disclose to its legal adviser or financial adviser on the transactions stipulated in this Agreement, and the legal adviser or financial adviser is also bound by the similar confidentiality obligation in this article. The disclosure of any confidential information by the staff or institutions employed by any party shall be regarded as the disclosure of such confidential information by such party, and such party shall be legally liable for the violation of this Agreement. This article shall continue to be valid regardless of the invalidity or termination of this Agreement for any reason.

13. Governing Law and Dispute Resolution

13.1 The signing, entry into force, interpretation, performance, modification and termination of this Agreement and the resolution of disputes under this Agreement shall be governed by PRC laws.

13.2 In case of any dispute arising from the interpretation and performance of the provisions of this Agreement, the Parties shall resolve the dispute through sincere negotiation. If the Parties fail to reach an agreement on the resolution of such disputes within thirty (30) days after a Party requests the Parties to resolve the disputes through negotiation, any Party may submit the relevant disputes to Beijing Arbitration Commission for arbitration and resolution according to its then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language of arbitration shall be Chinese. The arbitration award shall be final and binding on the Parties. The arbitration tribunal may rule that Party C's equity interests, assets or properties shall be used to compensate or offset the losses caused to the Pledgee due to other Parties' breach of this Agreement, award compulsory relief for relevant business or compulsory asset transfer, or order Party C to go bankrupt. After the arbitration award comes into effect, any

Party has the right to apply to the court with jurisdiction to enforce the arbitration award. If necessary, the arbitration institution shall have the right to decide that the defaulting Party immediately terminates the defaults or shall not engage in any behavior that may further expand the losses suffered by the Pledgee before making a final decision on the disputes between the Parties. Courts in Hong Kong, Cayman Islands or other courts with jurisdiction (including the court where Party C resides, or the court where the Party C or Pledgee's principal assets are located shall be deemed to have jurisdiction) also have the right to award or enforce the award of the arbitration tribunal, and have the right to award or enforce temporary relief for Party C's equity interests or property interests, and also have the right to make a ruling or judgment to give temporary relief to the Party initiating arbitration while waiting for the formation of the arbitration tribunal or under other appropriate circumstances, such as ruling or judging that the defaulting Party immediately terminates the defaults, or ruling that the defaulting Party shall not engage in any behavior that may further expand the losses suffered by the Pledgee.

13.3 In case of any dispute arising from the interpretation and performance of this Agreement or when any dispute is being arbitrated, the Parties shall continue to exercise their respective rights and perform their respective obligations under this Agreement, except for the disputed matters.

13.4 After the signing date of this Agreement, if there is any promulgation or change of any Chinese laws, regulations or rules at any time, or the change of interpretation or application of such laws, regulations or rules, the following agreements shall apply: (a) if the change of laws or newly promulgated regulations are more favorable to a Party than the relevant laws, regulations, decrees or regulations in force on the date of signing this Agreement (while the other Parties are not seriously adversely affected), each Party shall apply for the benefits brought by the change or new regulations in time and try its best to get the application approved; or (b) if the economic interests of any Party under this Agreement are seriously adversely affected directly or indirectly due to the above-mentioned legal changes or newly promulgated regulations, this Agreement shall continue to be implemented in accordance with the original terms. Each Party shall use all legal means to obtain the exemption from complying with the change or regulation. If the adverse impact on the economic interests of any Party cannot be solved according to the provisions of this Agreement, after the affected Party notifies other Parties, the Parties shall negotiate in time and make all necessary amendments to maintain the economic interests of the affected party under this Agreement.

14. Force Majeure

14.1 "**Force majeure**" refers to the unforeseeable, unavoidable and insurmountable events that make one Party of this Agreement partially or completely unable to perform this Agreement. Such events include, but are not limited to,

earthquakes, typhoons, floods, wars, strikes, riots, government actions, changes in laws and regulations or their application.

14.2 If an event of force majeure occurs, one Party's obligations under this Agreement affected by force majeure will be automatically suspended during the delay period caused by force majeure, and its performance period should be automatically extended, and the extended period is the period of suspension, so that the Party does not need to be punished or take responsibility for it. In case of force majeure, the Parties should immediately negotiate to find a just solution, and make every reasonable effort to minimize the impact.

15. Notice

15.1 All notices and other communications required or allowed to be sent according to this Agreement shall be delivered by special person or sent to the address of such party listed in Annex I by registered mail with prepaid postage and commercial express service. The date when such notices are deemed to be effectively served shall be determined as follows:

15.1.1 If the notice is delivered by special person or express delivery service, it shall be deemed to have been effectively served at the designated receiving address of the notice on the date of delivery or rejection.

15.1.2 If the notice is sent by registered mail with prepaid postage, it shall be deemed to have been effectively delivered on the fifteenth (15th) day after the date on the receipt of the registered mail.

15.2 Each Party may change the receiving address of its notice at any time by sending a notice to other parties according to this article.

16. Severability

If one or more provisions of this Agreement are judged to be invalid, illegal or unenforceable in any aspect according to any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or damaged in any aspect. The Parties should negotiate in good faith, and strive to replace such invalid, illegal or unenforceable provisions with effective provisions to the maximum extent permitted by law and expected by the Parties, and the economic effects produced by such effective provisions should be as similar as those produced by such invalid, illegal or unenforceable provisions as possible.

17. Annex

The annexes attached hereto shall be an integral part of this Agreement.

18. Effectiveness, Amendment, Change, Supplement and Text

18.1 This Agreement shall come into effect as of the date when the Parties sign it, and the equity pledge under this Agreement shall come into effect as of the date

when the Registration Authority completes the relevant registration procedures. The term of this Agreement will expire when the contractual obligations are fully fulfilled or the term of the pledge is terminated according to Article 3.

18.2 Any amendment, change and supplement to this Agreement shall be made in writing and shall come into effect after being signed or sealed by the parties and the government registration procedures (if applicable) are completed.

18.3 If the Stock Exchange of Hong Kong Limited or other regulatory agencies put forward any amendments to this Agreement, or if there are any changes related to this Agreement in the securities listing rules or related requirements of the Stock Exchange of Hong Kong Limited, the Parties shall make reasonable amendments to this Agreement accordingly.

18.4 This Agreement is made in five (5) copies, with one (1) copy for each signatory, and one (1) copy for the Registration Authority, all of which have the same legal effect.

19. Miscellaneous

19.1 Despite any other provisions in this Agreement or other transaction agreements or any other documents or laws, the Pledgor's obligations and responsibilities under this Agreement are several and not joint.

19.2 Except for the written amendments, supplements or changes made after the signing of this Agreement, this Agreement shall constitute the complete agreement reached by the Parties on the subject matter of this Agreement, and shall replace all oral and written negotiations, statements and contracts previously reached.

19.3 This Agreement shall be binding on and beneficial to the successors of each Party and the assignee allowed by these Parties.

19.4 Any Party may waive its rights under this Agreement, but such waiver must be made in writing and signed by the Parties. The waiver of any Party for other Parties' default under certain circumstances shall not be deemed as the waiver of such Party for similar defaults under other circumstances.

19.5 The title of this Agreement is for convenience of reading only, and should not be used to interpret, explain or otherwise influence the meaning of the provisions of this Agreement.

19.6 The Parties agree to sign in time the documents reasonably needed or beneficial to implement the provisions and purposes of this Agreement, and take further actions reasonably needed or beneficial to implement the provisions and purposes of this Agreement.

19.7 Without violating the transaction agreement and other articles of this Agreement, if at any time the Pledgee believes that maintaining the validity of this Agreement, holding the pledge right under this Agreement and/or disposing the

equity in the way specified in this Agreement becomes illegal or violates the laws, regulations or rules, due to the promulgation or change of any PRC laws, regulations or rules, or the change of interpretation or application of such laws, regulations or rules, or the change of relevant registration procedures, the Pledgor and Party C shall immediately take any reasonable actions and/or sign any reasonable agreement or other documents according to the Pledgee's reasonable requirements, so as to: (a) maintain this Agreement and the validity of the pledge right under this Agreement. (b) facilitate the disposal of equity in the manner specified in this Agreement; and/or (c) hold or realize the guarantee established or intended to be established in this Agreement.

19.8 This Agreement is a legal document independent of the transaction agreement and other security documents, the invalidity of which will not affect the rights and obligations of the parties under this Agreement. If the transaction agreement or other security documents are declared invalid, but the Pledgor still has outstanding contractual obligations and/or Party C still owes the Pledgee the secured obligations, the equity under this Agreement shall still be used as the pledge guarantee for the contractual obligations and secured obligations until all the secured obligations are paid off and all the contractual obligations are fulfilled.

[The remainder of this page is intentionally left blank.]

(This page is intentionally left blank, and serves as the signature page for the *Share Pledge Agreement*.)

In witness whereof, this Share Pledge Agreement is signed by the Parties as of the date and in the place first above written.

Party A: Wuhan Bofeng Technology Co., Ltd.
(Seal)

/s/ Yuan Zhou

(This page is intentionally left blank, and serves as the signature page for the *Share Pledge Agreement*.)

In witness whereof, this Share Pledge Agreement is signed by the Parties as of the date and in the place first above written.

Party B:

Yuan Zhou

Signature: /s/ Yuan Zhou

(This page is intentionally left blank, and serves as the signature page for the *Share Pledge Agreement*.)

In witness whereof, this Share Pledge Agreement is signed by the Parties as of the date and in the place first above written.

Party B:

Rongle Zhang

Signature: /s/ Ronghe Zhang

(This page is intentionally left blank, and serves as the signature page for the *Share Pledge Agreement*.)

In witness whereof, this Share Pledge Agreement is signed by the Parties as of the date and in the place first above written.

Party C: Wuhan Xinyue Network Technology Co., Ltd.
(Seal)

/s/ Rongle Zhang

Exhibit 4.18

Annex I

For the purpose of notification, the contact details of each Party are as follows:

Party A: Wuhan Bofeng Technology Co., Ltd.

Address: Room 701, Floors 6-15, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

Recipient: Yuan Zhou

Party B:

Yuan Zhou

Address: **********

Rongle Zhang

Address: **********

Party C:Wuhan Xinyue Network Technology Co., Ltd.

Address: Room 702, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

Recipient: Rongle Zhang

Exclusive Option Agreement

This Exclusive Option Agreement (this "**Agreement**") is made and entered into by and among the following parties on July 31, 2023 in Beijing, the People's Republic of China:

Party A：Wuhan Bofeng Technology Co., Ltd., a limited liability company legally established and validly existing in accordance with the laws of the PRC, with its registered address at Room 701, Floors 6-15, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province.

Party B：Yuan Zhou, ID Number: **********;

Rongle Zhang, ID Number: **********;

Party C：Wuhan Xinyue Network Technology Co., Ltd., a limited liability company legally established and validly existing in accordance with the laws of the PRC, with its registered address at Room 702, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province.

In this Agreement, Party A, Party B and Party C shall be hereinafter referred to as a "**Party**" individually, and as the "**Parties**" collectively.

WHEREAS:

1 Party B collectively holds 100% of the equity interests in Party C;

2 Party A, a wholly foreign-owned enterprise registered in the People's Republic of China (hereinafter referred to as "**China**"), is 100% directly owned by Zhihu Inc. (a company registered under the laws of Cayman) (the "Cayman Company").

3 Party B and Party C respectively contemplate to grant Party A (or its Designee(s)) an irrevocable and exclusive option to purchase all or part of the equity interests held by Party B in Party C and all or part of Party C's assets;

4 Party A, Party B and Party C hereby enter into this Agreement with respect to the granting of the exclusive option to Party A by Party B and Party C.

Now, therefore, upon amicable negotiation, the Parties hereby agree as follows:

1. Equity Interests and Asset Sales

1.1 Grant of the option

Party B agrees severally but not jointly to hereby irrevocably and unconditionally grant Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a "**Designee**", which shall be the Cayman Company or its directly or indirectly wholly controlled subsidiary) to purchase the equity interests in Party C then held by Party B once or at multiple times at

any time in part or in whole, in accordance with the exercise procedure as determined by Party A in its sole discretion, to the extent permitted by PRC laws (including any laws, regulations, rules, notices, interpretations or other binding documents issued by any central or local legislative, administrative or judicial authority before or after the execution of this Agreement, hereinafter referred to as the "**PRC laws**") and at the price described in Article 1.3 herein during the term of this Agreement (the "**Purchase Option of Equity**"). Party C hereby agrees to the grant by Party B of the Share Option to Party A. Party C hereby irrevocably and unconditionally grants Party A an irrevocable and exclusive right to purchase, or cause its Designee(s) to purchase Party C's assets once or at multiple times at any time in part or in whole, in accordance with the exercise procedure as determined by Party A in its sole discretion, to the extent permitted by PRC laws and at the price described in Article 1.3 herein during the term of this Agreement (the "**Purchase Option of Assets**", which is collectively referred to as the "**Option**" with the Purchase Option of Equity). Party B hereby agrees to the grant by Party C of the Purchase Option of Assets to Party A. Except for Party A and the Designee(s), no other third party shall be entitled to the Option or other rights in relation to the equity interests in Party C held by Party B and assets in Party C. "**Person**" as mentioned in this Article and this Agreement refers to an individual, corporation, joint venture, partnership, enterprise, trust or non-corporate organization.

1.2 Exercise Procedure of the Option

Subject to the provisions of the laws and regulations of the PRC, Party A may exercise the Option. Upon the exercise of the Option in accordance with Article 1.1, Party A shall issue a written notice for the purchase of the equity interests or assets to Party B and/or Party C (the "**Equity Purchase Notice**" or "**Asset Purchase Notice**"), in which the following issues shall be specified: (a) Party A's decision to exercise the Option; (b) the portion of equity interests contemplated to be purchased by Party A and/or the Designee(s) from Party B (the "**Purchased Equity**") and/or assets contemplated to be purchased by Party A and/or the Designee(s) from Party C (the "**Purchased Assets**"); and (c) the date of purchase/the date of transfer for the Purchased Equity and/or the Purchased Assets. Party B and/or Party C shall, upon receipt of the Equity Purchase Notice and/or Asset Purchase Notice, transfer the Purchased Equity and/or the Purchased Assets to Party A and/or the Designee(s) in accordance with the terms and conditions set forth in Article 1.4 herein.

1.3 Purchase Price and its payment

When Party A decides to exercise the Option under this Agreement, the purchase price of the Purchased Equity and/or the Purchased Assets (the "**Purchase Price**") shall be the nominal price, provided that if the Purchase Price is otherwise required by the relevant government department or the PRC

laws, the Purchase Price shall be the lowest price that conforms to such requirements. However, in any case, subject to the provisions and requirements of the PRC laws then applicable, the amount paid by Party A and/or the Designee(s) to Party B and/or Party C at any such price shall be returned to Party A and/or the Designee(s) by Party B and/or Party C severally but not jointly (provided that taxes, if any, incurred in exercising the Option shall be deducted from such returned amount). After the necessary tax withholding of the Purchase Price in accordance with the PRC laws, Party A and/or the Designee(s) shall pay the Purchase Price to the account designated by Party B and/or Party C within seven (7) days from the date on which the Purchased Equity and/or the Purchased Assets are formally transferred to Party A and/or the Designee(s).

1.4 Transfer of the Purchased Equity and/or the Purchased Assets

For each exercise of the Option by Party A:

1.4.1 Party B shall cause Party C to promptly convene a shareholders' general meeting, at which a resolution shall be adopted approving Party B's and/or Party C's transfer of the Purchased Equity and/or Purchased Assets to Party A and/or the Designee(s);

1.4.2 Party B and/or Party C shall enter into an interest transfer contract and/or asset transfer contract and other relevant legal documents with Party A and/or the Designee(s) (if applicable) in respect of each transfer in accordance with the provisions of this Agreement and the Equity Purchase Notice and/or Asset Purchase Notice;

1.4.3 The Parties concerned shall execute all other necessary contracts, agreements or documents (including but not limited to Party C's articles of association) and obtain all necessary internal approvals, authorizations, governmental approvals, licenses, consents and permits (including but not limited to Party C's business license), and take all necessary actions to transfer valid ownership of the Purchased Equity and/or the Purchased Assets to Party A and/or the Designee(s) without any security interest attached thereon, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Purchased Equity and/or Purchased Assets (subject to completion of the relevant industrial and commercial registration and filing with the commercial authority (if applicable)). For the purposes of this Article and this Agreement, "**security interest**" includes a guarantee, mortgage, third party right or interest, any share option, acquisition right, right of first refusal, set-off right, retention of ownership or other security arrangement. However, for the purpose of clarity, it does not include any security interest arising under this Agreement and the Share Pledge Agreement or other transaction agreements (as defined in the Share Pledge Agreement). "**Share Pledge Agreement**" as provided in this Article and this Agreement refers to the

Share Pledge Agreement (as amended from time to time) executed by and among Party A, Party B and Party C on the execution date of this Agreement. According to the Share Pledge Agreement, Party B pledges all the equity interests in Party C it holds to Party A respectively, in order to guarantee the performance of the *Exclusive Business Cooperation Agreement* (as amended from time to time, the "**Business Cooperation Agreement**") executed by and between Party A and Party C on the execution date of this Agreement, the **Shareholders' Rights Entrustment Agreement** (as amended from time to time) executed by and among all Parties on the execution date of this Agreement and the **Power of Attorney** (if any, as amended from time to time) issued by Party B pursuant to the Shareholders' Rights Entrustment Agreement, and the obligations hereunder.

2. Undertakings

2.1 Party C's undertakings

Party C hereby undertakes as follows:

2.1.1 without the prior written consent of Party A, Party C shall not supplement, revise or modify Party C's articles of association and bylaws in any manner, increase or decrease its registered capital, or otherwise change the structure of its registered capital; make any division, dissolution or any change in its company form;

2.1.2 Party C shall maintain its existence in accordance with good financial and business standards and practices, and prudently and effectively operate its business and handle its affairs, and perform its obligations under the Business Cooperation Agreement;

2.1.3 without the prior written consent of Party A, Party C shall not change its main business, conduct any business activities that may materially affect its assets, businesses, rights and operations;

2.1.4 without the prior written consent of Party A and at any time following the execution date of this Agreement, Party C shall not sell, transfer, mortgage or otherwise dispose of its legal interest in any assets (tangible or intangible assets), business or revenues of Party C with a value of more than RMB1 million (or any amount otherwise agreed by the Parties), or allow any encumbrance of any security interest set thereon;

2.1.5 without the prior written consent of Party A, Party C shall not dissolve or liquidate, except as required by the PRC laws; after statutory liquidation as described in Article 3.6, Party B shall pay Party A in full any residual value received by it or cause such payment to occur. If such payment is prohibited by the PRC laws, Party B will pay such income to Party A or

the Designee(s) designated by Party A to the extent permitted by the PRC laws;

2.1.6 without the prior written consent of Party A, Party C shall not incur, inherit, guarantee or allow the existence of any debt, except for (i) those incurred in the ordinary course of business other than through loans, and (ii) those that have been disclosed to and approved in writing by Party A;

2.1.7 Party C shall always operate all the businesses in the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may adversely affect its operating condition and asset value. Party A's board of directors has the right to supervise the assets of Party C and evaluate whether it has control over the assets of Party C. If Party A's board of directors considers that Party C's business activities affect the value of its assets or affect the board of directors' control over Party C's assets, Party A will engage a legal adviser or other professionals to handle such issues;

2.1.8 without the prior written consent of Party A, Party C shall not execute any Material Contract, except the contracts executed in the ordinary course of business and contracts signed by Party C with the wholly-owned overseas parent company of Party A or subsidiaries directly or indirectly controlled by its wholly-owned overseas parent company (for the purposes of this paragraph, "**Material Contract**" shall refer to any contract with a total price exceeding RMB1 million (or any amount otherwise agreed by the Parties));

2.1.9 without the prior written consent of Party A, Party C shall not provide any person with any security in any form such as loan, financial aid or mortgage or pledge, or allow a third party to mortgage or pledge its assets or equity;

2.1.10 if requested by Party A, Party C shall provide true and accurate materials and documents to Party A;

2.1.11 if requested by Party A, Party C shall provide all information regarding its operations and financial condition on a regular basis to Party A;

2.1.12 without the prior written consent of Party A, Party C shall not revise or alter the accounting policy previously adopted, nor shall it appoint or replace its auditor;

2.1.13 without the prior written consent of Party A, Party C shall not merge into, partner with, consolidate with, acquire or invest in any person;

2.1.14 without the prior written consent of Party A, Party C shall not carry out any enterprise restructuring activities;

2.1.15 Party C shall immediately notify Party A of any litigation, arbitration, or administrative proceedings arising or that are likely to arise with respect to Party C's assets, business, or revenues, and take all necessary measures as reasonably required by Party A;

2.1.16 to maintain Party C's ownership of all its assets, Party C 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 defenses against all claims;

2.1.17 without the prior written consent of Party A, Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A's request, it shall immediately distribute all distributable profits to its shareholders;

2.1.18 without the prior written consent of Party A, Party C shall not directly or indirectly dispose of or dilute the interests of its subsidiaries and branches;

2.1.19 if requested by Party A, Party C shall appoint a party designated by Party A to act as a director, supervisor and/or senior officer of Party C and/or remove any director, supervisor and/or senior officer of Party C from office and execute all relevant resolutions and filing procedures. Party A has the right to request Party B and Party C to replace the above-mentioned personnel;

2.1.20 subject to other provisions hereof (including but not limited to Articles 5.2 and 12.1), if Party A's exercise of the Option is impeded due to the failure of any shareholder of Party C or Party C to fulfill its tax obligations under applicable laws, Party A has the right to require Party C or its shareholder to perform such tax obligation, or require Party C or its shareholder to pay such tax to Party A, which will pay such tax on its behalf; and

2.1.21 with respect to the undertakings applicable to Party C under this Article 2.1, Party C shall cause its subsidiaries to comply with such undertakings where applicable, as if such subsidiaries were Party C under the relevant terms.

2.2 Party B's undertakings

Each of Party B hereby undertakes, severally and irrevocably but not jointly, as follows:

2.2.1 without the prior written consent of Party A and at any time following the effective date of this Agreement, Party B shall not sell, transfer, mortgage or otherwise dispose of any legal or beneficial interest it holds in the equity interests in Party C, or allow the encumbrance of any security interest to be placed thereon, except for the pledge placed on

Party C's equity interests pursuant to the Share Pledge Agreement or other transaction agreements (as defined in the Share Pledge Agreement); and Party B shall cause the shareholders' general meeting and/or the board of directors (or the executive director) of Party C not to approve the sale, transfer, mortgage or otherwise disposal of any legal or beneficial interest in Party C's equity interests held by Party B, nor to allow the encumbrance of any security interest placed thereon, without the prior written consent of Party A, except for the pledge placed on Party C's equity interests pursuant to the Share Pledge Agreement or other transaction agreements (as defined in the Share Pledge Agreement);

2.2.2 Party B shall not engage in business or have any other behavior that adversely affects the reputation of Party C;

2.2.3 Party B shall take reasonable measures to cause Party C to maintain the legality and validity of all business licenses of Party C and renew them on time according to law;

2.2.4 any appointment of directors, supervisors, legal representative and senior management of Party C shall be subject to prior written consent of Party A, and Party B shall execute all necessary or appropriate documents and take all reasonable steps to appoint any such person designated by Party A;

2.2.5 Party B as a shareholder of Party C shall not abuse its shareholder rights to damage the interests of Party C; if Party B abuses its shareholder rights, Party A shall have the right to exercise the Option under the Exclusive Option Agreement;

2.2.6 Party B shall not require Party C to distribute dividends or profit in other forms in respect of the equity interests held by Party B in Party C, and shall not refer to matters decided by the board of directors (or matters decided by the executive director) in connection therewith. in any case, if Party B receives any income, profit distribution or dividends from Party C, it shall, to the extent permitted by the PRC laws, waive the collection of such income, profit distribution or dividends and immediately pay or transfer such income, profit distribution or dividends to Party A or the Designee(s);

2.2.7 Party B shall cause the shareholders' general meeting and/or the board of directors (or the executive director) of Party C not to approve the sale, transfer, mortgage or otherwise disposal of any legal or beneficial interest in the equity interests held by Party B in Party C, nor to allow the encumbrance of any security interest placed thereon, without the prior written consent of Party A, except for the pledge placed on the equity interests in Party C pursuant to the Share Pledge Agreement;

2.2.8 Party B shall cause the shareholders' general meeting and/or the board of directors (or the executive director) of Party C not to approve any merger, partnership, joint venture or union of Party C with any person, or acquisition or investment in any person by Party C, or division or reorganization of Party C, amendment of Party C's articles of association, change of registered capital or change of company form of Party C, without the prior written consent of Party A;

2.2.9 Party B shall immediately notify Party A of any litigation, arbitration, or administrative proceedings arising or that are likely to arise with respect to the equity interests held by Party B in Party C, and take all necessary measures as reasonably required by Party A;

2.2.10 to maintain Party B's equity interests in Party C, Party B 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 defenses against all claims;

2.2.11 Party B will not and will cause its successor not to bring any legal action, arbitration or other legal proceedings against the contractual arrangements, or terminate the contractual arrangements;

2.2.12 Party B shall cause the shareholders' general meeting or board of directors (or executive director) of Party C to vote for the transfer of the Purchased Equity and/or the Purchased Assets specified herein and take any and all other actions that may be required by Party A;

2.2.13 Should Party A request at any time, Party B and/or Party C shall immediately and unconditionally transfer its equity interests and/or assets in Party C to Party A or the Designee(s) according to the Option hereunder, and Party B hereby waives its right of first refusal (if any) in the equity transfer by other shareholders of Party C;

2.2.14 Party B shall strictly comply with this Agreement and other contracts (including but not limited to the Share Pledge Agreement and Business Cooperation Agreement) jointly or separately signed by Party B, Party C and Party A, perform its obligations under this Agreement and such other contracts as described above, and refrain from any act/omission that may affect the validity and enforceability thereof. If Party B has any residual rights to the equity interests under this Agreement or the Share Pledge Agreement or the Power of Attorney granted in favor of Party A, it shall not exercise such rights unless pursuant to the written instruction from Party A;

2.2.15 If Party A or the Designee(s) has or have paid the Purchase Price of the equity to Party B before Party C's dissolution, but the relevant industrial and commercial registration of changes has not been completed, Party B shall, upon or after Party C's dissolution, promptly pay Party A or the

Assignee(s) all the income from distribution of remaining property received for the holding of the equity interests in Party C, in which case Party B shall not claim any rights (except pursuant to the written instruction from Party A) in respect of the income from the distribution of the remaining property;

2.2.16 Party B agrees to return the price charged to Party A for its transfer of the Purchased Equity and/or the Purchased Assets free of charge (provided that taxes (if any) incurred in exercising the Option shall be deducted from such returned price), subject to the provisions and requirements of the PRC laws then applicable;

2.2.17 Party B agrees to execute an irrevocable Power of Attorney satisfactory to Party A, in which it authorizes Party A or the Designee(s) designated by Party A to exercise all of its rights as a shareholder of Party C on its behalf; and

2.2.18 Party B shall ensure Party C's effective existence and shall not take any action which may result in Party C's being terminated, liquidated or dissolved.

3. Representations and Warranties

Party B and Party C hereby represent and warrant to Party A, severally but not jointly, on the execution date of this Agreement and on each date of transfer of the Purchased Equity and the Purchased Assets, as below in Articles 3.1 through 3.3, and Party C hereby represents and warrants to Party A on the date of execution of this Agreement and on each date of transfer of the Purchased Equity and the Purchased Assets as below in Articles 3.4 through 3.9:

3.1 Party B and Party C have the power and ability to authorize the execution and delivery of this Agreement and any Transfer Contract to which Party B or Party C is a party with respect to the Purchased Equity and/or the Purchased Assets to be transferred thereunder (each, a "**Transfer Contract**"), and to perform its obligations under this Agreement and any Transfer Contract. Party B and Party C agree to sign a Transfer Contract on terms consistent with this Agreement when Party A exercises the Option. This Agreement and the Transfer Contract to which Party B or Party C is a party constitute or will constitute a legal, valid and binding obligation of Party B or Party C and shall be enforceable against Party B or Party C in accordance with its terms;

3.2 Neither the execution and delivery of this Agreement or the Transfer Contract to which Party B or Party C is a party nor the obligations under this Agreement or the Transfer Contract to which Party B or Party C is a party shall or will: (i) cause Party B or Party C to violate any applicable PRC law; (ii) conflict with the articles of association, rules or other organizational documents of Party B or Party C; (iii) result in a breach of any contract or instrument to which Party B or Party C is a party or binding upon the same, or any breach under any

contract or instrument to which Party B or Party C is a party or binding upon the same; (iv) cause a breach of any condition for the grant and/or continuation of the effect of any license or permit issued to Party B or Party C; or (v) cause the suspension or revocation of or imposition of additional conditions on any license or permit issued to Party B or Party C;

3.3 Party B has good and marketable ownership of its equity interests in Party C. Party B has not placed any security interest on the said equity interests other than the security interest established in accordance with the Share Pledge Agreement or other transaction agreements (as defined in Share Pledge Agreement);

3.4 Party C has good and marketable ownership of all its assets, and has not placed any security interest on the said assets;

3.5 Except for the (i) debts incurred in the ordinary course of business and (ii) the debts which have been disclosed to and approved by Party A in writing, Party C has no outstanding debts;

3.6 If Party C is dissolved or liquidated as required by the PRC laws, Party C shall sell all of its assets to Party A or other Designee(s) designated by Party A, to the extent permitted by the PRC laws, at the lowest price permitted by the PRC laws. Party C waives any payment obligation arising therefrom of Party A or the Designee(s) it designates to the extent permitted by the applicable PRC laws then in force; any proceeds arising from such transaction shall be paid to Party A or the Designee(s) designated by Party A as part of the service fees under the Business Cooperation Agreement to the extent permitted by the applicable PRC laws then in force;

3.7 Party C complies with all PRC laws and regulations applicable to the acquisition of equity interests or assets;

3.8 There is no litigation, arbitration, or administrative proceeding in connection with the equity interests in Party C, Party C's assets or Party C that is ongoing or pending or may occur; and

3.9 In the event of death, incapacity, marriage, divorce, bankruptcy or other circumstances that may affect Party B's exercise of the equity interests it holds in Party C, Party B's successor (including spouse, child, parent, sibling, paternal grandparent, maternal grandparent) or the then shareholder or the transferee of the equity interests in Party C will be deemed to be a party to this Agreement, shall inherit and undertake all the rights and obligations of Party B hereunder, and transfer the relevant equity interests to Party A or its Designee(s) in accordance with the laws then applicable and this Agreement.

4. Effective Date

This Agreement shall become effective on the date of execution of this Agreement by the Parties and shall remain in force for a renewable period in

accordance with the provisions of the PRC laws, unless or until the Purchased Equity and/or Purchased Assets held by Party B are fully transferred to Party A and/or the Designee(s) (subject to the completion of industrial and commercial registration of changes and the filing with the commercial authority (if applicable)) and Party A and its subsidiaries and branches can lawfully engage in the business of Party C. Notwithstanding the foregoing, Party A shall have the right to terminate this Agreement unilaterally and immediately at any time by giving a written notice to Party B and Party C, and shall not be liable for any breach of contract for its unilateral termination of this Agreement. Unless otherwise mandated by the PRC laws, Party B and Party C shall not have the right to unilaterally terminate this Agreement.

5. Liability for Breach of Contract

5.1 Except as otherwise provided herein, if one Party (the "**Defaulting Party**") fails to perform any of its obligations hereunder or otherwise breaches this Agreement, the other Parties (the "**Aggrieved Parties**") may: (a) give a written notice to the Defaulting Party stating the nature and extent of the default and requiring the Defaulting Party to remedy it at its own expense within a reasonable period set forth in the notice (the "**Remedy Period**"); and if the Defaulting Party fails to remedy within the Remedy Period, the Aggrieved Parties shall have the right to require the Defaulting Party to bear all the liabilities arising from its default, and to compensate the Aggrieved Parties for all actual economic losses caused thereby, including, but not limited to, attorney's fees, litigation or arbitration fees incurred due to the litigation or arbitration proceedings relating to such default; in addition, the Aggrieved Parties also have the right to require the Defaulting Party to perform this Agreement compulsorily and the right to request the relevant arbitration organization or court to order the actual performance and/or enforcement of the provisions of this Agreement; (b) terminate this Agreement and require the Defaulting Party to assume all liabilities caused by its default and compensate for all resulting damages; or (c) discount, auction or sell the pledged equity interests in accordance with the Share Pledge Agreement, and have the priority to gain compensation from the price of the discount, auction or sale, and require the Defaulting Party to bear all the losses caused thereby. The Aggrieved Parties' exercise of the aforementioned remedies shall not affect their exercise of other remedies in accordance with this Agreement and legal provisions.

5.2 The Parties agree and confirm that, unless otherwise mandated by the PRC laws or otherwise provided by other provisions of this Agreement, if Party B or Party C is the Defaulting Party, Party A shall have the right to unilaterally and immediately terminate this Agreement and claim damages from the Defaulting Party. If Party A is the Defaulting Party, Party B and Party C shall release Party A from its liability for damages, and unless otherwise provided by law, Party B

and Party C shall in no event have the right to terminate or rescind this Agreement.

6. Governing Law and Dispute Resolution

6.1 Governing Law

The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.

6.2 Dispute Resolution

In case of any dispute arising from the construction and performance of this Agreement, the Parties shall first settle such dispute through amicable consultation. If the Parties fail to reach an agreement on the resolution of such dispute within thirty (30) days after any Party requests the other Parties to resolve the dispute through consultation, any Party may submit the dispute to the Beijing Arbitration Commission for arbitration in accordance with its arbitration rules then in effect. The arbitration shall be conducted in Beijing and the arbitration language shall be Chinese. The arbitral award shall be final and binding upon all Parties. The arbitration tribunal may award compensation or indemnity to Party A for the loss caused to Party A by the default of other Parties hereto in respect of Party C's equity interests, assets or property interests, or award compulsory relief or order Party C to go bankrupt in respect of relevant business or compulsory asset transfer. After the arbitral award becomes effective, any Party shall have the right to apply to the court having jurisdiction for enforcement of the arbitral award. Where necessary, before making a final decision on the dispute among the Parties, the arbitration organization shall have the right to rule that the Defaulting Party shall immediately stop the default or rule that the Defaulting Party shall not take any action that may further increase the losses suffered by Party A. Courts in Hong Kong, the Cayman Islands or any other court having jurisdiction (including the court at the location of Party C's domicile, or the court at the location of Party C or Party A's prime assets shall be deemed to have jurisdiction) shall also have the power to grant or enforce the award of the arbitration tribunal and to award or enforce interim relief in respect of Party C's equity interests or property interests, and shall have the power to rule or deliver a verdict on provision of interim relief to the Party bringing the arbitration while waiting for the formation of the arbitration tribunal or under other appropriate circumstances, such as ruling or deciding that the Defaulting Party shall immediately stop the default or ruling that the Defaulting Party shall not take any action that may further increase the losses suffered by Party A.

6.3 In the event of any dispute arising from the construction and performance of this Agreement or any dispute undergoing arbitration, the Parties hereto shall

continue to exercise their respective rights and perform their respective obligations hereunder, except those involved in the dispute.

6.4 At any time following the execution date of this Agreement, in the event of any enactment of or change in the PRC laws, regulations or rules, or any change in the construction or application of such laws, regulations or rules, the following provisions shall apply: to the extent permitted by the PRC laws, (a) if a change in the law or a newly promulgated regulation is more favorable to any Party than the applicable law, regulation, decree or rule in force on the execution date of this Agreement (and the other Party(Parties) is/are not seriously and adversely affected), the Parties shall promptly apply for benefits from such change or new regulation and use their best efforts get the application approved; or (b) if the economic interests of any Party hereunder are seriously and adversely affected directly or indirectly as a result of such change in law or newly promulgated regulation, this Agreement shall continue to be performed in accordance with the original terms. The Parties shall use all legal means to obtain exemption from compliance with such change or regulation. If the adverse impact on the economic interests of any Party cannot be resolved in accordance with this Agreement, after the affected Party notifies the other Parties, the Parties shall promptly negotiate and make all necessary amendments to this Agreement to maintain the economic interests of the affected Party hereunder.

7. Taxes and Fees

Any and all transfer and registration taxes, costs and expenses incurred by any Party in connection with the preparation and execution of this Agreement and the Transfer Contract and the completion of the transactions contemplated under this Agreement and the Transfer Contract shall be borne by Party C.

8. Notice

8.1 All notices and other communications required or permitted hereunder shall be delivered by hand or send by postage prepaid registered mail, or commercial courier service to the address of such Party listed in Annex I. The date on which such notice is deemed to have been effectively served shall be determined in the following ways:

8.1.1 If the notice is delivered by hand or by courier service, it shall be deemed to have been effectively served at the designated address on the date of delivery or rejection.

8.1.2 If the notice is sent by postage prepaid registered mail, it shall be deemed to have been effectively served on the fifteenth (15th) day following the date marked on the receipt of the registered mail.

8.2 Any Party may change the address to which notice is to be given at any time by giving a notice to the other Parties under this Article.

9. Confidential Liability

The Parties acknowledge that any oral or written material exchanged for this Agreement shall be confidential information. Each Party shall keep all such information confidential and shall not disclose any such information to any third party without the written consent of the other Parties, except in the following cases: (a) such information is known to the public (but it is not disclosed to the public by the Party receiving the information); (b) such information is required to be disclosed by applicable law or the rules or regulations of any stock exchange; or (c) such information shall be disclosed by any Party to its legal adviser or financial adviser in connection with the transaction contemplated hereunder, provided that such legal or financial advisor shall also be bound by the confidentiality obligations similar to those set out in this Article. Any disclosure of any confidential information by any employee or agency engaged by any Party shall be deemed as a disclosure of such information by such Party, and such Party shall be legally liable for breach of this Agreement. This Article shall survive the invalidity or termination of this Agreement for any reason.

10. Further Warranties

Each Party agrees to execute in a timely manner such documents as may be reasonably required or in its favor and to take such further actions as may be reasonably required or in its favor to implement the provisions and purposes of this Agreement.

11. Force Majeure

11.1 "**Force Majeure**" shall refer to any unforeseeable, unavoidable, and insurmountable event that causes a Party hereto to fail in part or in whole to perform this Agreement. Such events include but are not limited to, earthquakes, typhoons, floods, inundation, wars, strikes, riots, government action, changes in a law or regulation or its application.

11.2 In the event of a Force Majeure event, the obligations of any Party affected by the Force Majeure hereunder shall be automatically suspended during the delay caused by the Force Majeure event, and its performance period shall be automatically extended. The extended period shall be the period of suspension for which the Party shall not be penalized or held liable as a result. Upon the occurrence of a Force Majeure event, all Parties shall consult immediately to seek a just solution and use all reasonable efforts to minimize the effects of the Force Majeure.

12. Miscellaneous

12.1 Non-joint-and-several liability and limitation of liability

Notwithstanding provisions to the contrary under this Agreement or other transaction agreements (as defined in the Share Pledge Agreement) or any

other document or law, Party B's obligations and responsibilities hereunder are separate and non-joint.

12.2 Amendment, modification or supplement

Matters not covered herein shall be otherwise determined by the Parties through negotiation. Any amendment, modification or supplement to this Agreement shall be made in the form of a written agreement signed by the Parties. The amendment and supplementary agreements duly signed by the Parties hereto with respect to this Agreement and its annexes shall form an integral part of this Agreement and have the same legal effect as this Agreement.

In the event of any amendments to this Agreement proposed by the Stock Exchange of Hong Kong Limited or other regulatory authorities or any changes to the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited or related requirements in connection with this Agreement, the Parties shall make proper amendments to this Agreement accordingly.

12.3 Entire agreement

This Agreement shall constitute the entire agreement among the Parties with respect to the subject matter hereof, except as amended, supplemented or modified in writing after execution hereof, and shall supersede all prior oral and written negotiations, representations and contracts with respect to the subject matter hereof.

12.4 Heading

The headings in this Agreement are for convenience of reading only and shall not be used to interpret, explain or otherwise affect the meaning of the provisions of this Agreement.

12.5 Text

This Agreement is made in four (4) original copies, with each signatory holding one (1) copy. The four copies shall have the same legal effect.

12.6 Severability

If one or more provisions hereof are held to be invalid, illegal or unenforceable in any respect under any law or regulation, the validity, legality or enforceability of the remaining provisions hereof shall not be affected or impaired in any respect. The Parties shall, through consultations of good faith, seek to replace such invalid, illegal or unenforceable provisions with provisions that are valid to the maximum extent desired by the Parties and are permitted by law. The economic benefits resulting from such valid provisions shall, to the extent possible, be similar to those resulting from such invalid, illegal or unenforceable provisions.

12.7 Successor

This Agreement shall be binding on and in favor of the respective successors of the Parties and the transferees permitted by such Parties.

12.8 Survival

12.8.1 Any obligations arising from or due prior to the expiration or early termination of this Agreement shall survive the expiration or early termination hereof.

12.8.2 The provisions of Articles 6, 7, 8, 9, 12.1 and this Article 12.8 shall survive termination of this Agreement.

12.9 Waiver

Any Party may waive its rights under this Agreement, provided that such waiver must be made in writing and signed by each Party. A waiver made by any Party in respect of a default by other Parties under certain circumstances shall not be deemed to be a waiver by such Party in respect of a similar default under other circumstances.

12.10 Compliance with laws and regulations

Each Party shall comply with and shall ensure that its operations are in full compliance with all laws and regulations officially published and publicly available in the PRC that are binding on it.

12.11 Transfer of rights

Without the prior written consent of Party A, Party C and/or Party B shall not transfer any of their rights and/or obligations hereunder to any third party; Party C and Party B hereby agree that Party A has the right to transfer any of its rights and/or obligations hereunder to other Designees upon written notice to Party C and Party B, and that Party B and Party C shall enter into a supplementary agreement or an agreement substantially identical to this Agreement with such Designees.

[The remainder of the page is intentionally left blank]

(This page is intentionally left blank, and serves as the Signature Page to the *Exclusive Option Agreement*)

IN WITNESS WHEREOF, the Parties hereto have caused this Exclusive Option Agreement to be executed as of the date and in the place first above written.

Party A: Wuhan Bofeng Technology Co., Ltd.

(Seal)

/s/ Yuan Zhou

(This page is intentionally left blank, and serves as the Signature Page to the *Exclusive Option Agreement*)

IN WITNESS WHEREOF, the Parties hereby have caused this Exclusive Option Agreement to be executed as of the date and in the place first above written.

Party B:

Yuan Zhou

Signature: /s/ Yuan Zhou

(This page is intentionally left blank, and serves as the Signature Page to the *Exclusive Option Agreement*)

IN WITNESS WHEREOF, the Parties hereby have caused this Exclusive Option Agreement to be executed as of the date and in the place first above written.

Party B:

Rongle Zhang

Signature: /s/ Rongle Zhang

(This page is intentionally left blank, and serves as the Signature Page to the *Exclusive Option Agreement*)

IN WITNESS WHEREOF, the Parties hereto have caused this Exclusive Option Agreement to be executed as of the date and in the place first above written.

Party C: Wuhan Xinyue Network Technology Co., Ltd.
(Seal)

/s/ Rongle Zhang

Exhibit 4.19

Annex I

For the purpose of the notice, the contact details of the Parties are as follows:

Party A: Wuhan Bofeng Technology Co., Ltd.

Address: Room 701, Floors 6-15, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

To: Yuan Zhou

Party B:

Yuan Zhou

Address: **********

Rongle Zhang

Address: **********

Party C: Wuhan Xinyue Network Technology Co., Ltd.

Address: Room 702, Building 4, Area D, Shuguang Xingcheng, No. 8 Xiongzhuang Road, Donghu New Technology Development Zone, Wuhan City, Hubei Province

To: Rongle Zhang

Exhibit 8.1

List of Principal Subsidiaries and Consolidated Variable Interest Entities

Subsidiaries	**Place of Incorporation**
Zhihu Technology (HK) Limited	Hong Kong
Zhizhe Sihai (Beijing) Technology Co., Ltd.	PRC
Beijing Zhihu Network Technology Co., Ltd.	PRC

Consolidated Variable Interest Entities	**Place of Incorporation**
Beijing Zhizhe Tianxia Technology Co., Ltd.	PRC
Shanghai Pinzhi Education Technology Co., Ltd.	PRC
Shanghai Biban Network Technology Co., Ltd.	PRC
Wuhan Xinyue Network Technology Co., Ltd.	PRC

Exhibit 12.1

Certification by the Principal Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Yuan Zhou, certify that:

1. I have reviewed this annual report on Form 20-F of Zhihu Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 26, 2024

By: /s/ Yuan Zhou
Name: Yuan Zhou
Title: Chief Executive Officer

Exhibit 12.2

Certification by the Principal Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Han Wang, certify that:

1. I have reviewed this annual report on Form 20-F of Zhihu Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 26, 2024

By:/s/ Han Wang
Name: Han Wang
Title: Chief Financial Officer

Exhibit 13.1

Certification by the Principal Executive Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Zhihu Inc. (the "Company") on Form 20-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Yuan Zhou, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2024

By: /s/ Yuan Zhou
Name: Yuan Zhou
Title: Chief Executive Officer

Exhibit 13.2

Certification by the Principal Financial Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Zhihu Inc. (the "Company") on Form 20-F for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Han Wang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2024

By: /s/ Han Wang
Name: Han Wang
Title: Chief Financial Officer

Exhibit 15.1

Our ref JVZ/781374-000001/28772183v1

Zhihu Inc.
18 Xueqing Road
Haidian District, Beijing 100083
People's Republic of China

26 April 2024

Dear Sir or Madam

Zhihu Inc.

We have acted as legal advisers as to the laws of the Cayman Islands to Zhihu Inc., an exempted limited liability company incorporated in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 31 December 2023 (the "**Annual Report**").

We hereby consent to the reference to our firm under the heading "Item 10. Additional Information—E. Taxation" in the Annual Report, and we further consent to the incorporation by reference of the summary of our opinions under this heading into the Company's registration statement on Form S-8 (File No. 333-256178) that was filed on 17 May 2021, pertaining to the Company's 2012 Incentive Compensation Plan, the Company's registration statement on Form S-8 (File No. 333-265451) that was filed on 7 June 2022, pertaining to the Company's 2022 Share Incentive Plan, and the Company's registration statement on Form F-3 that was filed on 8 April 2022 (No. 333-264200).

We consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP
Maples and Calder (Hong Kong) LLP

Exhibit 15.2

Consent of Jingtian & Gongcheng

To: Zhihu Inc.

Date: April 26, 2024

Dear Sir/Madam,

We consent to the reference to our firm under the captions of "Item 3.D—Risk Factors," "Item 4.B—Business Overview—Regulation," and "Item 4.C— Organizational Structure—Contractual Arrangements with the VIEs and Their Shareholders" in the Annual Report on Form 20-F of Zhihu Inc. (the "Company") for the year ended December 31, 2023, which will be filed with the Securities and Exchange Commission (the "SEC") in the month of April 2024 and further consent to the incorporation by reference into the Company's registration statement on Form S-8 (File No. 333-256178) that was filed on May 17, 2021, pertaining to the Company's 2012 Incentive Compensation Plan, the Company's registration statement on Form S-8 (File No. 333-265451) that was filed on June 7, 2022, pertaining to the Company's 2022 Share Incentive Plan, and the Company's registration statement on Form F-3 that was filed on August 8, 2022 (No. 333-264200). We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report on Form 20-F for the year ended December 31, 2023.

Yours faithfully,
/s/ Jingtian & Gongcheng
Jingtian & Gongcheng

Exhibit 15.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-256178 and 333-265451) and Form F-3 (No. 333-264200) of Zhihu Inc. of our report dated April 26, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 26, 2024

ZHIHU INC.

CLAWBACK POLICY

The Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Zhihu Inc. (the "Company") believes that it is appropriate for the Company to adopt this Clawback Policy (the "Policy") to be applied to the Executive Officers of the Company and adopts this Policy to be effective as of the Effective Date.

1. Definitions

For purposes of this Policy, the following definitions shall apply:

a) "Company Group" means the Company and each of its subsidiaries or consolidated affiliated entities, as applicable.

b) "Covered Compensation" means any Incentive-Based Compensation granted, vested or paid to a person who served as an Executive Officer at any time during the performance period for the Incentive-Based Compensation and that was Received (i) on or after October 2, 2023 (*i.e.*, the effective date of the NYSE listing standards), (ii) after the person became an Executive Officer, and (iii) at a time that the Company had a class of securities listed on a national securities exchange or a national securities association such as the NYSE.

c) "Effective Date" means December 1, 2023.

d) "Erroneously Awarded Compensation" means the amount of Covered Compensation granted, vested or paid to a person during the fiscal period when the applicable Financial Reporting Measure relating to such Covered Compensation was attained that exceeds the amount of Covered Compensation that otherwise would have been granted, vested or paid to the person had such amount been determined based on the applicable Restatement, computed without regard to any taxes paid (i.e., on a pre-tax basis). For Covered Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in a Restatement, the Committee will determine the amount of such Covered Compensation that constitutes Erroneously Awarded Compensation, if any, based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Covered Compensation was granted, vested or paid, and the Committee shall maintain documentation of such determination and provide such documentation to the NYSE.

e) "Exchange Act" means the U.S. Securities Exchange Act of 1934.

f) "Executive Officer" means the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (whether or not an officer or employee of the Company) who performs similar policy-making functions for the Company. "Policy-making function" does not

include policy-making functions that are not significant. Both current and former Executive Officers are subject to the Policy in accordance with its terms.

g) "Financial Reporting Measure" means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures derived wholly or in part from such measures and may consist of IFRS/U.S. GAAP or non-IFRS/non-U.S. GAAP financial measures (as defined under Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Exchange Act), (ii) stock price or (iii) total shareholder return. Financial Reporting Measures need not be presented within the Company's financial statements or included in a filing with the SEC.

h) "Home Country" means the Company's jurisdiction of incorporation, i.e., the Cayman Islands.

i) "Incentive-Based Compensation" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

j) "Lookback Period" means the three completed fiscal years (plus any transition period of less than nine months that is within or immediately following the three completed fiscal years and that results from a change in the Company's fiscal year) immediately preceding the date on which the Company is required to prepare a Restatement for a given reporting period, with such date being the earlier of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare a Restatement. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on whether or when the Restatement is actually filed.

k) "NYSE" means the New York Stock Exchange.

l) "Received": Incentive-Based Compensation is deemed "Received" in the Company's fiscal period during which the Financial Reporting Measure specified in or otherwise relating to the Incentive-Based Compensation award is attained, even if the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

m) "Restatement" means a required accounting restatement of any Company financial statement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as a "Big R" restatement) or (ii) to correct an error in previously issued financial statements that is not material to the previously issued financial statements but that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as a "little r" restatement). Changes to the Company's financial statements that do not represent error corrections under the then-current relevant accounting standards will not constitute Restatements. Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on fraud or misconduct by any person in connection with the Restatement.

n) "SEC" means the U.S. Securities and Exchange Commission.

2. Recovery of Erroneously Awarded Compensation

In the event of a Restatement, any Erroneously Awarded Compensation Received during the Lookback Period prior to the Restatement (a) that is then-outstanding but has not yet been paid shall be automatically and immediately forfeited and (b) that has been paid to any person shall be subject to reasonably prompt repayment to the Company Group in accordance with Section 3 of this Policy. The Committee must pursue (and shall not have the discretion to waive) the forfeiture and/or repayment of such Erroneously Awarded Compensation in accordance with Section 3 of this Policy, except as provided below.

Notwithstanding the foregoing, the Committee (or, if the Committee is not a committee of the Board responsible for the Company's executive compensation decisions and composed entirely of independent directors, a majority of the independent directors serving on the Board) may determine not to pursue the forfeiture and/or recovery of Erroneously Awarded Compensation from any person if the Committee determines that such forfeiture and/or recovery would be impracticable due to any of the following circumstances: (i) the direct expense paid to a third party (for example, reasonable legal expenses and consulting fees) to assist in enforcing the Policy would exceed the amount to be recovered, including the costs that could be incurred if pursuing such recovery would violate local laws other than the Company's Home Country laws (following reasonable attempts by the Company Group to recover such Erroneously Awarded Compensation, the documentation of such attempts, and the provision of such documentation to the NYSE), (ii) pursuing such recovery would violate the Company's Home Country laws adopted prior to November 28, 2022 (provided that the Company obtains an opinion of Home Country counsel acceptable to the NYSE that recovery would result in such a violation and provides such opinion to the NYSE), or (iii) recovery would likely cause any otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

3. Means of Repayment

In the event that the Committee determines that any person shall repay any Erroneously Awarded Compensation, the Committee shall provide written notice to such person by email or certified mail to the physical address on file with the Company Group for such person, and the person shall satisfy such repayment in a manner and on such terms as required by the Committee, and the Company Group shall be entitled to set off the repayment amount against any amount owed to the person by the Company Group, to require the forfeiture of any award granted by the Company Group to the person, or to take any and all necessary actions to reasonably promptly recover the repayment amount from the person, in each case, to the fullest extent permitted under applicable law, including without limitation, Section 409A of the U.S. Internal Revenue Code and the regulations and guidance thereunder. If the Committee does not specify a repayment timing in the written notice described above, the applicable person shall be required to repay the Erroneously Awarded Compensation to the Company Group by wire, cash, cashier's check or other means as agreed by the Committee no later than thirty (30) days after receipt of such notice.

4. No Indemnification

No person shall be indemnified, insured or reimbursed by the Company Group in respect of any loss of compensation by such person in accordance with this Policy, nor shall any person receive any advancement of expenses for disputes related to any loss of compensation by such person in accordance with this Policy, and no person shall be paid or reimbursed by the Company Group for any premiums paid by such person for any third-party insurance policy covering potential recovery obligations under this Policy. For this purpose, "indemnification" includes any modification to current compensation arrangements or other means that would amount to *de facto* indemnification (for example, providing the person a new cash award which would be cancelled to effect the recovery of any Erroneously Awarded Compensation). In no event shall the Company Group be required to award any person an additional payment if any Restatement would result in a higher incentive compensation payment.

5. Miscellaneous

This Policy generally will be administered and interpreted by the Committee, provided that the Board may, from time to time, exercise discretion to administer and interpret this Policy, in which case, all references herein to "Committee" shall be deemed to refer to the Board. Any determination by the Committee with respect to this Policy shall be final, conclusive and binding on all interested parties. Any discretionary determinations of the Committee under this Policy, if any, need not be uniform with respect to all persons, and may be made selectively among persons, whether or not such persons are similarly situated.

This Policy is intended to satisfy the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as it may be amended from time to time, and any related rules or regulations promulgated by the SEC or the NYSE, including any additional or new requirements that become effective after the Effective Date which upon effectiveness shall be deemed to automatically amend this Policy to the extent necessary to comply with such additional or new requirements.

The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law. The invalidity or unenforceability of any provision of this Policy shall not affect the validity or enforceability of any other provision of this Policy. Recovery of Erroneously Awarded Compensation under this Policy is not dependent upon the Company Group satisfying any conditions in this Policy, including any requirements to provide applicable documentation to the NYSE.

The rights of the Company Group under this Policy to seek forfeiture or reimbursement are in addition to, and not in lieu of, any rights of recovery, or remedies or rights other than recovery, that may be available to the Company Group pursuant to the terms of any law, government regulation or stock exchange listing requirement or any other policy, code of conduct, employee handbook, employment agreement, equity award agreement, or other plan or agreement of the Company Group.

6. Amendment and Termination

To the extent permitted by, and in a manner consistent with applicable law, including SEC and NYSE rules, the Committee may terminate, suspend or amend this Policy at any time in its discretion.

7. Successors

This Policy shall be binding and enforceable against all persons and their respective beneficiaries, heirs, executors, administrators or other legal representatives with respect to any Covered Compensation granted, vested or paid to or administered by such persons or entities.