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## RISK FACTORS

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*An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the [REDACTED] of our Shares could decline, and you may lose all or part of your [REDACTED].*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled “Forward-looking Statements” of this document.*

### **Risks Relating to Our Business and Industry**

***If we fail to retain our existing users or further grow our user base, or if our user engagement declines, our business and operating results may be materially and adversely affected.***

Our ability to maintain and grow our user base while keeping our users highly engaged is critical to the continued success and growth of our business. Since the launch of our mobile app in 2016, we have been striving to create a trusted community and develop more diversified functionalities and features to attract new users while keeping our existing users engaged. In 2022, the numbers of our average MAUs and average DAUs were 29.4 million and 9.5 million, respectively. To maintain and improve the level of engagement of our users and expand our user base, we must continue to innovate our services, respond promptly to evolving user preferences, implement new technologies, curate interesting content, and stimulate interactions in our community, all of which will require us to incur substantial costs and expenses. If such costs and expenses fail to effectively translate into larger user base and improved user engagement, we may not be able to achieve all these goals and our results of operations may be materially and adversely affected.

If we are not successful in our efforts to retain or grow our user base or maintain or enhance the engagement level of our users, our monetization opportunities may suffer, which may in turn have a material and adverse effect on our business, financial condition and results of operations. If we fail to convert users into paying users, or if the number of our paying users declines, our revenue may decline and our results of operations may be materially and adversely affected.

In particular, there is no assurance that our community will remain popular within our user communities. A number of factors could negatively affect user retention, growth and engagement, such as:

- failure to provide new functionalities and features that are attractive to users;
- changes of service patterns or protocols that are required by, or that we elect to make to stay compliant with, legislation, regulations or government policies;

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- failure to combat spam on or inappropriate or abusive use of our products and services, which may lead to declined user trust in us, negative publicity about us and our brand or legal liabilities;
- failure to protect our brand reputation;
- failure of our algorithms in curating content and generating user recommendations;
- failure to address user concerns related to privacy and communication, safety, security or other factors; and
- failure to successfully compete with existing competitors or new market entrants.

***We have a limited operating history, and we may not be able to sustain our historical growth, effectively manage our growth, control our costs and expenses, or implement our business strategies.***

We have experienced rapid growth in our business and operations since our inception in 2016, which places significant demands on our management, operational and financial resources. However, as we only have limited operating history and compete in the rapidly evolving market, we may encounter difficulties as we establish and expand our operations, feature and service development, selling and marketing, technology and general and administrative capabilities.

Many aspects of our business are unique, evolving and relatively unproven. Our business and prospects depend on the continual development of the industry in which we operate. The market for our services is rapidly developing and is subject to significant challenges. Our business relies upon our ability to create a vibrant and interactive community addressing our users’ need for forging genuine interpersonal connections and to successfully monetize our user base, which would increase revenue from various sources. Our historical level of significant growth may not be sustainable or achievable at all in the future. We believe that our continued growth will depend on many factors, including our ability to further expand our user base, effectively connect our users, enhance the value of our content, continue to invest and innovate in technologies, strengthen monetization capabilities and pursue strategic partnerships, acquisitions and investment opportunities. There can be no assurance that we will achieve any of the above, and our failure to do so may materially and adversely affect our business and results of operations.

We expect our costs and expenses to continue to increase in absolute amount in the future as we broaden our user base and increase user engagement, and develop and implement new features and services that may entail more complexity. In addition, our cost and expenses, such as our selling and marketing expenses, technology and development expenses, and administrative expenses, have been increasing rapidly as we expanded our business, and we expect to continue to incur increasing costs to support our anticipated future growth. We expect to continue to invest in our infrastructure in order to enable us to provide our services timely and reliably to our users. Continued growth could also strain our ability to maintain reliable service levels for our users and paying users, develop and

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improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. If we fail to achieve the necessary level of efficiency in our operation as it grows, our business, operating results and financial condition could be harmed.

***We incurred significant net losses and generated net operating cash outflows during the Track Record Period and we may continue to do so in the future.***

We recorded net losses and negative operating cash flows during the Track Record Period, including net losses in the amount of RMB579.1 million, RMB1,324.4 million and RMB508.5 million in 2020, 2021 and 2022, respectively, and net operating cash outflows in the amount of RMB238.2 million, RMB794.0 million and RMB201.3 million in the same period. Our ability to achieve and sustain profitability and generate net operating cash inflows is affected by various factors, many of which are beyond our control, such as the continual development of the industry and markets in which we operate, changes in the macroeconomic and regulatory environment or competition dynamics and our ability to respond to these changes in a timely and effective manner. We also expect our costs and expenses to increase on an absolute basis due to our continued investment in services, technology and development and our continued selling and marketing initiatives. If we cannot successfully offset our increased costs and expenses with a significant increase in total revenue, our financial condition and results of operations may be materially and adversely affected. We have also been rapidly increasing our selling and marketing expenses in recent periods. It may become increasingly expensive in the future for us to acquire users through third-party internet platforms, which may in turn contribute to continued fast increase in our selling and marketing expenses. All of these factors may make us continue to incur net losses and generate net operating cash outflows in the future.

***Our financial conditions and results of operations during the Track Record Period had been adversely affected by changes in the carrying amount of redeemable shares and financial liabilities for redemption obligations, and such changes may continue to have adverse effect on our results of operations until conversion of the redeemable shares into ordinary shares upon [REDACTED].***

During the Track Record Period, we had outstanding redeemable shares and financial liabilities for redemption obligations of RMB7,386.8 million, RMB9,723.6 million and RMB11,042.1 million as of December 31, 2020, 2021 and 2022, respectively. We recorded losses resulted from changes in the carrying amount of redeemable shares and financial liabilities for redemption obligations of RMB74.0 million in 2020, RMB277.9 million in 2021 and RMB406.0 million in 2022. The increased losses were primarily due to the increase of the redemption amount of redeemable shares. These liabilities arising from the redemption obligation of the redeemable shares are measured at the present value of the redemption amount. Upon [REDACTED], the carrying amount of the liabilities will be reclassified from liabilities to equity with no gain or loss. Changes in the carrying amount of redeemable shares and financial liabilities for redemption obligation affected our performance significantly during the Track Record Period and may continue to have adverse effect on our results of operations until conversion of the redeemable shares into ordinary shares upon [REDACTED].

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We expect continued fluctuation of the carrying amount of our redeemable shares and financial liabilities for redemption obligations after December 31, 2022 until the completion of the [REDACTED]. We do not expect to record any further changes in the carrying amount of redeemable shares and financial liabilities after the [REDACTED] as the carrying amount of the liabilities will be reclassified to equity with no gain or loss. Upon [REDACTED], the redemption obligations will be terminated and the redeemable shares will be automatically converted into ordinary shares then.

***If we fail to attract and retain quality users or our mobile app fails to effectively recommend suitable users, our user retention and engagement may decline, and our business and results of operations could be materially and adversely affected.***

The size and engagement level of our user base as well as the quality of the content offered on our mobile app are critical to our success and are closely linked to the quality of users and the ability of our mobile app to recommend users suitable for each user based on interest graph. Because we target user demographics that are looking for profound interpersonal relationships, if our users cannot find enough quality users who share their interest or are otherwise suitable conversation partners or content that piques their interest, or if our mobile app fails to recommend users that meet the needs and interests of our users in sufficient numbers, or at all, our users may spend less and less time on our mobile app or leave our mobile app all together with their social needs unmet. In addition, if our existing users produce less content, or their content starts to be less appealing to other users, or users otherwise become less active on our mobile app for whatever reason, we may experience a decline in user traffic and engagement. If our user retention and engagement decline as a result of any of the aforementioned factors, our results of operations and financial condition may be materially and adversely impacted.

***Our brand image, business and results of operations may be adversely impacted by user misconduct and misuse of our products and services.***

Our community allows users to communicate with other users and engage in various social networking activities. In China, only users who completed account registration using their PRC mobile phone numbers have access to the full functions of our Soul app. Users with PRC mobile phone numbers shall complete real-name registration in accordance with PRC law. We require users to complete mobile phone number verification before they are allowed to use our services. Since we have limited control over real-time behavior of our users, our products and services may still be misused by our users for inappropriate or illegal purposes. Historically, several online fraud cases had been reported to the police department where some of our users alleged that they had been diverted to another platform and scammed by other users and suffered economic losses as a result. Although such alleged fraudulent activities did not have a material negative impact on our operations and financial performance, to the extent that such fraudulent activities are associated with our platform, our ability to protect our brand image and reputation may be limited.

We have implemented control procedures to detect and block illegal or inappropriate content and illegal or fraudulent activities conducted through the misuse of our services, including

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inappropriate user profiles, messages, audio and video content. We have been continuously upgrading and taking new initiatives to strengthen our anti-fraudulent and anti-pornography systems. See “Business — Content Moderation, Fraud Detecting and Prevention of Access by Minors” for more details. We may be required by relevant governmental authorities to report certain misbehaviors for further investigation if such misbehaviors are subject to regulatory investigation or other governmental proceedings. Despite our detection and filtering efforts, we may not be able to identify every incident of inappropriate content or illegal or fraudulent activities, or prevent all such content from being further disseminated or prohibit such activities from occurring. Much of the video and audio communications in our community are conducted in real time, we cannot filter all the content generated by our users as they appear. Therefore, it is possible that users may engage in illegal, obscene or incendiary conversations or engage in unethical or illegal activities via our products and services.

If user misconduct and misuse of our products and services for inappropriate or illegal purposes occur in our community, claims may be brought against us for torts, defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other claims based on the nature and content of the information delivered on or otherwise accessed through our community. In response to allegations of illegal or inappropriate activities conducted through our community, relevant governmental authorities may intervene and hold us liable for noncompliance with applicable laws and regulations and subject us to administrative penalties or other sanctions, such as requiring us to restrict or discontinue some or all of our features and services. In addition, our users may suffer or allege to have suffered physical, financial or emotional harm caused by contacts initiated on our products and services. Our business, results of operations and the public perception of our brand may be materially and adversely affected if we do face civil lawsuits or other liabilities initiated by such affected users. Defending any actions brought by such affected users could be costly and require significant time and attention of our management and other resources, which would materially and adversely affect our business.

In addition, there have been incidents of unauthorized sale and listings of our Soul Coins and other virtual items on third-party platforms. To our knowledge, the incidents at issue arise from some fraudsters abusing the refund policy of certain payment platform that we cooperate with which allows users to make purchase and request for refunds within a specific period of time but has already used the benefits purchased. As advised by our PRC Legal Adviser, given that it is the third party rather than us that conducts the unauthorized reselling, we are not in violation of the applicable PRC laws and regulations on virtual currency with regard to such unauthorized reselling. However, we might be required to cooperate in the investigation on such third party’s wrong doing (as needed).

***Content posted or displayed in our community may be found to be objectionable by regulatory authorities in China and elsewhere and may subject us to penalties and other severe consequences.***

The PRC government has adopted laws and regulations governing internet and wireless access and the distribution of information over the internet and wireless telecommunications networks. One of the latest regulations in this regard is the Provisions on Ecological Governance of Network

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Information Content (《網絡信息內容生態治理規定》), which was promulgated by the Cyberspace Administration of China, or CAC, and came into effect on March 1, 2020. Under these laws and regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet or wireless networks content that, among other things, violates the principle of the PRC constitution, laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as instigating ethnical hatred and harming ethnical unity, harming the national religious policy, “socially destabilizing” or leaking “state secrets” of the PRC, and they are required to take relevant measures to prevent and resist the production and distribution of undesirable information. Failure to comply with these requirements may result in the revocation of licenses to provide internet content or other licenses, the closure of the concerned platforms and reputational harm. The operator may also be held liable for any censored information displayed on or linked to their platform. In international markets where we operate, we are also subject to local laws, regulations, policies and government decrees related to online content dissemination and censorship. The liabilities and penalties resulting from any noncompliance may materially and adversely damage our business and results of operations.

To the extent that PRC regulatory authorities find any content displayed on our platform objectionable, they may require us to limit, prevent, or eliminate the dissemination of such information on our platform. The CAC launched the “Clear and Bright” campaign to rectify various areas of online misconduct in May 2021, in response to which, certain policies were issued and actions were launched. On June 15, 2021, the CAC launched the “Fan Group Chaos Rectification” special action, followed by issuance of the Notice on Further Strengthening the Management of Chaos in Fan Groups (《關於進一步加強“飯圈”亂象治理的通知》) on August 25, 2021. Both of the special action and notice are intended to modify behavior in the online fan groups for celebrities, specifically, in features such as celebrity rankings, hot topics, fan communities, and fans interactive functions, so as to curb verbal abuse, stigmatization, instigation, confrontation, insults, slander, rumors, malicious marketing and the spread of other harmful information. This notice requested, among other things, the cancelation of all rankings of celebrities. Furthermore, minors are not allowed to make virtual gifting or spend money on supporting idols, or act as the organizer or manager of a fan group.

We have designed and implemented procedures to moderate content, including maintenance of a library of keywords to be blocked, in order to comply with applicable laws, regulations, rules and policies. However, it may not be possible to determine in all cases the types of content that could result in our liability as a distributor of such content, and our keyword library may not be always timely updated to capture all violating content, especially in live chats. If any of the content posted or displayed in our community is deemed by the PRC government or any international regulatory authority to violate any content restrictions, we may not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations.



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Regulatory authorities in China and elsewhere may conduct various reviews and inspections on our business operations, especially those related to content distribution, from time to time. If any noncompliance incidents in our business operations are identified, we may be required to take certain rectification measures in accordance with applicable laws and regulations, or we may be subject to other regulatory actions such as administrative penalties. It may be difficult to determine the type of content or actions that may result in liability and, if we are found to be liable, we may be prevented from operating our business in relevant jurisdictions. Moreover, complying with relevant regulatory requirements may result in limitation to our scope of service, reduction in user engagement or loss of users, diversion of our management team’s attention and increased operational costs and expenses. The costs of compliance with these regulations may continue to increase as a result of more content being made available by an increasing number of users, which may adversely affect our results of operations. Although we have adopted internal procedures to monitor content and to remove potentially offending content once we become aware of any potential or alleged violation, we may not be able to identify all the content that may violate relevant laws and regulations or third-party’s legal rights and interests such as intellectual property rights which may subject us to the aforementioned legal consequences and potential claims from third parties. Even if we manage to identify and remove offensive content, we may still be held liable.

***We were penalized in the past for allowing minors to access content prohibited to be consumed by minors by relevant PRC regulations on our mobile app. Our continued compliance efforts may prove costly or ineffective, and any regulatory noncompliance or negative incident in this regard may materially and adversely affect our reputation, business, financial condition and results of operations.***

According to the Minors Protection Law (《中華人民共和國未成年人保護法》) latest amended in October 2020, it is illegal to produce, reproduce, publish, release and disseminate books, newspapers and periodicals, films, radio and television programs, stage art works, audio-visual products, electronic publications or network information that promote obscenity, eroticism, violence, cults, superstitions, gambling, suicide seduction, terrorism, separatism and extremism and other content are harmful to the physical and mental health of minors, which refer to people below the age of eighteen.

In June 2019, as part of an industry-wide campaign against illegal activities and inappropriate content on online audio and entertainment platforms, the downloading services of our mobile app were ordered by relevant governmental authorities to be temporarily suspended by all app stores due to inadequacies in our measures to protect minors by restricting their access to certain content on our mobile app. In July 2019, we submitted a report to the relevant governmental authorities with proofs of the improvements we had made in our minor protection measures, and our mobile app was subsequently allowed to become available for downloading in all app stores in early September 2019. During such temporary suspension, we were allowed to maintain normal operations of our mobile app that had been already installed by our existing users on their mobile devices and were required to adopt enhanced measures to improve our content moderation and minor protection scheme. During the temporary suspension, our MAUs, DAUs, growth of MAUs and growth of DAUs decreased.

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We have implemented various measures since the temporary suspension of our app store downloading services in June 2019 in accordance with minor protection laws and regulations in the PRC, which include ceasing account registrations for users under the age of 18 based on their own confirmation, publishing a teenager mode of our mobile app, having dedicated personnel monitor content viewable in the teenager mode of the mobile app on a 24/7 basis, and ensuring that minors can only use the teenager mode of our mobile app and be recommended users who are also minors. We have implemented a series of measures to identify minors on our platform. We require users to provide their date of birth when registering with us. We also use big data analytics and key words management to identify content, such as posts, comments and chat messages, posted by minors. For example, users that self-identify as teenagers or high school students when chatting with other users will be captured by our key word management system. We also encourage users to report minors that use our services under the regular mode. Based on our internal testing and minor information we could identify, in 2021 and 2022, less than 1% of our average DAUs were users under the age of 18 and revenue from such minor users accounted for less than 0.01% of our total revenue during the same periods. For more details of the prevention of access by users under the age of 18, see “Business—Content Moderation, Fraud Detecting and Prevention of Access by Minors.” These efforts may not be sufficient to prevent minors from using the non-minor version of our mobile app and accessing prohibited content thereon, as we currently do not have a way to verify the age of our users in each case. Our continued regulatory compliance efforts in this regard may not be successful and may be costly, as they may divert a significant amount of management time and financial resources. If non-compliance with PRC minor protection laws and regulations occurs again in the future or if the PRC government undertakes further actions against our mobile app, our users may lose trust in us and our reputation may be seriously harmed, our mobile app may again be suspended from all app stores for an indefinite time, and we may be subject to other penalties and heightened regulatory scrutiny in the PRC, thereby having a material and adverse effect on our business, financial condition and business prospects.

***Our business is subject to the complex and evolving laws and regulations in the countries and regions where we operate. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.***

We are subject to a variety of laws and regulations that involve matters important to or may otherwise impact our business, including, among others, provision of value-added telecommunications services, internet advertising business, user privacy protection, foreign exchange, taxation, anti-corruption, anti-bribery, sanctions and similar matters. See also “Regulatory Overview.” The introduction of new services, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny.

The laws and regulations in the countries and regions where we operate are continually evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the rapidly evolving industry in which we operate and any new jurisdiction into which we enter. As our mobile app can



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be downloaded and used in certain overseas markets, we are also subject to the laws, regulations, standards, and other obligations in certain countries and regions, in particular on data protection, data privacy and/or information security. In addition, these laws and regulations may be interpreted and applied inconsistently by different agencies or authorities and in different jurisdictions, and inconsistently with our current policies and practices. For example, we face challenges to ensure the content and communications on our mobile app are in compliance with various local jurisdictions’ regulatory frameworks, many of which could be substantially different from those of China and each other. Cultural differences may also pose additional challenges to our efforts in content control. These laws and regulations may be costly to comply with, and such compliance or any associated inquiries or investigations or any other government actions may delay or impede our development of new services, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies, administrative penalties and even criminal liabilities that may harm our business, including fines assessed for our current or historical business operations, or demands or orders that we modify or cease existing business practices.

The promulgation of new laws or regulations, or the new interpretation of existing laws and regulations, in each case that restrict or otherwise unfavorably impact the ability or manner in which we provide our services could require us to change certain aspects of our business and operations to ensure compliance, which could decrease demand for services, reduce revenue, increase costs, require us to obtain more licenses, permits, approvals or certificates, or subject us to additional liabilities. To the extent any new or more stringent measures are required to be implemented, our business, financial condition and results of operations could be adversely affected.

Due to the uncertainties in the regulatory environment of the industry in which we operate, there can be no assurance that we would be able to maintain our existing approvals, permits and licenses, obtain any new approvals, permits and licenses, or comply with other regulatory requirements if required by any future laws or regulations. If we fail to obtain and maintain approvals, licenses or permits required for our business, or to comply with relevant laws and regulations, we could be subject to liabilities, fines, penalties and operational disruptions, or we could be required to modify our business model, which could materially and adversely affect our business, financial condition and results of operations. See also “—Risks Relating to Our Business and Industry—Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations.”

***Our business depends on our users continually finding interesting content which in turn depends on the content generated and contributed by our users. If our users cannot create quality content at a consistent rate, we may not be able to attract and retain users to remain competitive.***

Our success depends on our ability to drive user engagement. To attract and retain users and compete against our competitors, we must ensure that the content featured in our community is of high quality and appealing to our users. The content featured in our community is generated by users for other users to explore and experience. Each user has a unique Soul Space where she or he posts content ranging from text to photos, from audio clips to videos. Users may come to our Soul Square

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to read other users’ posts and experience their lives through the content they post. We offer a *Recommend* tab that help users find the content and users they are interested in via a guided approach. In addition, we provide post editing tools to empower users in expressing themselves in a more personal and lively manner, thereby generating more interesting content. If our users cease to contribute content or contribute content at a slower rate, their uploaded content fails to attract or retain our users, or we fail to adequately support our users in their content creation and discovery efforts, our user experience may be adversely affected and we may experience a decline in user traffic and user engagement. If the number of users or the level of user engagement declines, we may suffer a reduction in revenue.

***The mobile social networking industry is an evolving, dynamic and competitive market, and we operate in an emerging space in this market, which makes it difficult to evaluate our future prospects. Our business, financial condition and results of operations may be materially and adversely affected if we are unable to compete effectively.***

The market for mobile social networking platforms is constantly evolving, highly dynamic and competitive, and we operate in an emerging space within this market. The mobile social networking industry and the specific market where we operate may not develop as expected. Our users, paying users and business partners may not fully understand the value of our services, and potential new users, paying users and business partners may have difficulty distinguishing our services from those of our competitors. Convincing potential users, paying users and business partners of the value of our services is critical to the growth of our user base and the success of our business.

We launched our mobile app in November 2016, and our relatively short operating history makes it difficult to assess our future prospects or forecast our future results. You should consider our business and prospects in light of the risks and challenges we encounter or may encounter in the developing and rapidly evolving market where we operate. These risks and challenges relate to, among other things:

- the emergence of alternative business models, changes in rules, regulations, government policies or general economic conditions;
- our ability to develop and deploy diversified and unique features and services for our users;
- our ability to hire, retain and motivate talented employees and attract management talents that are compatible with our business expansion;
- decreasing user spending, decreasing user engagement, increasing competition, and declining growth of our overall market or industry;
- our ability to increase the number of users;
- our ability to expand into new markets that are amenable to our business model;

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- our ability to develop a reliable, scalable, secure, high-performance technology infrastructure that can efficiently handle increased usage and expanded user base;
- the ability of our users to generate engaging content on our mobile app;
- our ability to develop or implement strategic initiatives to monetize our business;
- our ability to successfully compete with other companies, some of which have substantially greater resources and market power than us, that are currently in, or may in the future enter, our industry, or duplicate the features of our services; and
- our ability to defend ourselves against litigation and/or claims relating to regulatory compliance, intellectual property, privacy or other matters.

If we fail to educate potential users, paying users and business partners about the value of our services, if the market for our mobile app does not develop as we expect or if we fail to address the needs of this dynamic market, our business will be harmed. Failure to adequately address these or other risks and challenges could harm our business and cause our operating results to suffer.

***Because we collect, store, process and use data, some of which contains sensitive personal information, we face concerns over the collection, improper use or disclosure of personal information, which could discourage current and potential users from using our services, damage our reputation, face regulatory scrutiny, and in turn materially and adversely affect our business, financial condition and results of operations.***

We process, including but not limited to collect, store and use personal data from our users in order to better understand our users and their needs for the improvement of the functionalities of our mobile app, and therefore we are subject to the laws, regulations, guidelines and industry recommendations relating to the protection of personal information in China. Concerns or claims about our practices with regard to the collection, storage, processing or use of personal information or other privacy-related matters, even if unfounded, could damage our reputation and results of operations.

In July 2019, due to certain defects found in our data privacy measures, we received a written notice from the Special Task Force on Apps (APP專項治理工作組), requiring us to rectify our data privacy measures in accordance with the applicable laws and regulations of the PRC, without imposing any penalty on us. In August 2019, we submitted a report to show improvements in our data protection measures and we also updated our data privacy policy accordingly for implementation throughout our mobile app. We currently adopt a data privacy policy with respect to how we collect, store, process, transfer and use personal information, and we may only use such data to provide and improve our services, content and advertising in strict compliance with our privacy policy. Despite the absence of any material data breach or similar incidents, any failure or perceived failure to comply with applicable data protection laws, regulations or policy may result in inquiries

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and other proceedings or actions against us by governmental authorities or others, as well as negative publicity and damage to our reputation, each of which could cause us to lose users and business partners and have an adverse effect on our business and results of operations.

PRC regulatory requirements regarding the protection of personal information are constantly evolving and can be subject to different interpretations or significant changes from time to time, making the extent of our responsibilities in that regard uncertain. The important PRC laws and regulations on data protection, data privacy, and/or information security currently in effect that we are subject to include, among others, the Cyber Security Law (《中華人民共和國網絡安全法》), which took effect on June 1, 2017; Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the PIPL, which took effect on November 1, 2021; and Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. These laws impose on the operators and administrators of networks, network service providers, and personal information processors various personal information protection obligations, restrictions on the collection and use of personal information, and requirements to take steps to prevent personal information from being divulged, stolen, or tampered with. In particular, PIPL also put forth the requirement of obtaining separate consent from individuals before sharing their personal information with other third parties, but the standards of the “separate consent requirement” remain uncertain currently.

We may also be subject to more stringent personal information protection laws, regulations, and requirements in China in the near future given the recent legislative developments in this field. With the promulgation of the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) on July 6, 2021 by the General Office of the CPC Central Committee and the General Office of the State Council of the PRC, or the July 6 Opinion, offshore-listed China-based companies (中概股公司) have been experiencing a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data transfer and management of confidential information from PRC regulatory authorities. Such laws and regulations are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process from us. The Cybersecurity Review Measures (《網絡安全審查辦法》) that took effect from February 15, 2022 stipulates that an internet platform operator who possesses more than one million users’ personal information must report to the Office of Cybersecurity Review for a cybersecurity review in the event of a “foreign” listing (國外上市). As of the Latest Practicable Date, we possessed personal information of more than one million users. There is no explicit stipulation under the Cybersecurity Review Measures that a listing in Hong Kong shall be deemed as such “foreign” listing. The CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations, on November 14, 2021, which requires data processors to apply for cyber security review when, among other conditions, their intended listing in Hong Kong or other data processing activities affect or may affect national security. However, the Draft Data Security Regulations provide no further explanation or interpretation of what constitutes “affects or may affect national security,” and the PRC government authorities may have wide discretion in interpreting this phrase. As a result, there remains substantial uncertainty as to whether our [REDACTED] in Hong Kong will be

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subject to cybersecurity review. As of the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted and we had not been informed by CAC of any requirement to file for approval for this [REDACTED]. It is uncertain when the final regulation will be issued and take effect, how it will be enacted, interpreted and implemented, and whether or to what extent it will affect us. If the Draft Data Security Regulations are adopted into law in the future, we may become subject to enhanced cybersecurity review, or the PRC government authorities may retroactively apply and implement such draft regulations by conducting a cybersecurity review over us in connection with this [REDACTED]. To mitigate the potential impact of any such regulatory changes, we will closely monitor and assess any development in the rule-making process, maintain ongoing dialog with relevant government authorities as necessary and in due course, we will also rectify, adjust, and optimize our data practices in a timely manner to keep pace with regulatory development.

In addition, the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》), or Algorithm Recommendation Provisions, that took effect on March 1, 2022 implements classification and hierarchical management for algorithm recommendation service providers based on various criteria, and stipulates that algorithm recommendation service providers with public opinion attributes or social mobilization capabilities shall submit the relevant information within ten business days from the date of providing such services and go through the record-filing formalities. The Algorithm Recommendation Provisions also require algorithmic recommendation service providers to provide users with options that are not specific to their personal characteristics, functions to select or delete user labels, and convenient ways to cancel the algorithmic recommendation services.

The CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》), or the Security Assessment Measures, which came into effect on September 1, 2022. The Security Assessment Measures specify the circumstances where a cross-border data transfer is subject to security assessment. Specifically, a data processor needs to apply for a security assessment of its cross-border data transfer activities in any of the following situations: (i) it provides important data to a recipient outside of the PRC; (ii) it is a critical information infrastructure operator or it processes the personal information of more than one million individuals in total and it provides personal information to a recipient outside of the PRC; (iii) it has exported the personal information of more than 100,000 individuals in aggregate or the sensitive personal information of more than 10,000 individuals in aggregate since January 1 of the previous year; or (iv) other circumstances subject to a security assessment as required by the CAC. The Security Assessment Measures also provide specific procedures for a security assessment, as well as important factors to be considered in conducting security assessments.

According to Article 2 of the Cybersecurity Review Measures, critical information infrastructure operators (the “CIIO”) that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. Regarding the identification of the CIIO, Article 10 of the Critical Information Infrastructure Security Protection Regulations which came into force on September 1, 2021 (the “CII Regulations”) provides that “the Protection Authorities (as defined

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under the CII Regulations) shall arrange the identification of critical information infrastructures (the “CII”) in each of the sectors or fields overseen by such authority in accordance with the identification rules, promptly inform the operators of the results of identification, and report such results to the public security authority of the State Council”. As of the Latest Practicable Date, considering that the PRC subsidiaries of the Group had not received any notification or documentation from any government authority that identifies them as CII, the PRC subsidiaries of the Group are unlikely to constitute CII, as advised by our PRC Legal Adviser.

According to Article 7 of the Cybersecurity Review Measures, a network platform operator that possesses personal information of more than one million users must apply for a cybersecurity review when it seeks to list in a foreign country. On June 9, 2022, we, together with our PRC Legal Adviser and the Joint Sponsors’ PRC Legal Adviser, conducted an online consultation with the office director of Cyberspace Administration of Shanghai and obtained positive feedback with regard to [REDACTED]. On June 16, 2022, we, together with our PRC Legal Adviser and the Joint Sponsors’ PRC Legal Adviser, conducted a consultation through telephone with the China Cybersecurity Review Technology and Certification Center (the “CCRTCC”), the department officially delegated by the Cybersecurity Review Office (網絡安全審查辦公室) under the CAC to accept consultation and applications for cybersecurity review, and were informed that listing in Hong Kong is not deemed as listing abroad within the meaning of the Cybersecurity Review Measures. Therefore, the PRC subsidiaries of the Group are not required to apply for cybersecurity review according to Article 7 of the Cybersecurity Review Measures and could proceed with [REDACTED] without a voluntary application for cybersecurity review if no notice from the regulatory authority regarding cybersecurity review is received. However, we may be subject to cybersecurity review in the future if new laws, regulations and/or rules or interpretations thereof impose additional compliance requirements on us.

Further, under Article 16 of the Cybersecurity Review Measures, the Cybersecurity Review Office has the discretion to initiate a cybersecurity review against any entity if a member of the cybersecurity review working mechanism considers that an entity’s network product or service or data processing activities affect or may affect national security. However, the standard for determining whether network product or service or data processing activities affect or may affect national security is not stipulated in the Cybersecurity Review Measures.

According to Article 10 of the Cybersecurity Review Measures, the cybersecurity review shall focus on the assessment of the following risk factors that relate to national security: (i) risks of illegal control, interference or destruction of CII caused by the use of products and services; (ii) the harm to the business continuity of CII caused by interruptions in the supply of products and services; (iii) the products’ or services’ security, openness, transparency, and the diversity of sources of products and services, the reliability of supply channels, and risks of supply interruption due to political, diplomatic, trade, or other factors; (iv) compliance with PRC laws, administrative regulations and department rules by product and service providers; (v) risks of theft, leakage, damage, illegal use, or illegal cross-border transfer of core data, important data, or large amounts of personal information; (vi) risks of influence, control, or malicious use of CII, core data, important



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data, or large amounts of personal information by foreign governments, or cybersecurity risk in connection with overseas listing; and (vii) other factors that may endanger CII security, cybersecurity and data security. As of the Latest Practicable Date, the PRC subsidiaries of the Group had not received any investigation, notice, warning, or sanctions from relevant government authorities in relation to national security, including but not limited to cybersecurity review initiated by governmental authorities. However, considering that there are uncertainties in relation to the applicable scope of “data processing activities that affect or may affect national security” and the issuance of draft regulations, our PRC Legal Adviser is of the view that there is a possibility that the PRC subsidiaries of the Group may be subject to a cybersecurity review if the cybersecurity review working mechanism member considers it possible that the PRC subsidiaries of the Group may affect national security according to Article 16 of the Cybersecurity Review Measures.

According to Article 13 of the Draft Cyber Data Security Regulation, which was released by CAC on November 14, 2021, data processors that apply for a listing in Hong Kong which affect or may affect national security shall apply for the cybersecurity review in accordance with the relevant PRC regulations. However, the conditions for “affect or may affect national security” are not defined in the Draft Cyber Data Security Regulation, and the PRC government may have broad discretion over the interpretation of such term. In addition, based on other current laws and regulations, the Draft Cyber Data Security Regulation imposes a series of compliance obligations on data processors in respect of cybersecurity and data protection. However, the Draft Cyber Data Security Regulation has not been officially finalized by the PRC regulators at this stage. According to the aforementioned telephone consultation with CCRTCC, the Draft Cyber Data Security Regulation has not become effective at the current stage. Our PRC Legal Adviser is of the view that the relevant requirements of Draft Cyber Data Security Regulation are still not applicable to the PRC subsidiaries of the Group for the time being.

Assuming the Draft Cyber Data Security Regulation will be implemented in its current draft form, our PRC Legal Adviser is of the view that the PRC subsidiaries of the Group will be able to comply with its requirements in all material respects. Nevertheless, there are uncertainties regarding the final version, date of enactment or entry into force, final interpretation and implementation and other aspects of the Draft Cyber Data Security Regulation, and we are unable to assure that the relevant authorities will not take a different position.

As for the applicability of the Security Assessment Measures, our PRC Legal Adviser is of the view that the PRC subsidiaries of the Group would not trigger the security assessment for data export under the Security Assessment Measures to date, as the personal information collected and generated during the operation of the Company in the PRC is all stored within the PRC and no personal information has been or will be transferred overseas. However, there remains uncertainties as to how the Security Assessment Measures will be interpreted and implemented by the CAC.

As advised by its PRC Legal Adviser, the PRC subsidiaries of the Group would be able to comply with the above regulations (to the extent applicable to the Group) in all material respects assuming these regulations will be implemented in their current forms, on the basis that (i) the PRC subsidiaries

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of the Group have formulated and publicized the privacy policy on the relevant online channels and obtained users’ consent prior to using the online services of the PRC subsidiaries of the Group; (ii) the PRC subsidiaries of the Group have established an internal protection system of personal information security and cybersecurity; (iii) all personal information and other kinds of data collected and generated from PRC users during the operation of the PRC subsidiaries of the Group in the PRC are currently stored within the PRC, and the PRC subsidiaries of the Group have not been informed by any government authorities or users that the data it processes constitutes important data or core data; (iv) Soulgate Technology, the operating entity of our mobile app, has not been subject to any administrative penalty related to cybersecurity or personal information protection during the Track Record Period according to the Compliance Certificate issued by the Cyberspace Administration of Shanghai and as confirmed by Soulgate Technology; and (v) the Group will closely monitor the legislative and regulatory development regarding cybersecurity and personal information protection to comply with the latest regulatory requirements. Nevertheless, there are uncertainties regarding the final implementation and interpretation of the above regulations, and the Group is unable to rule out the possibility that the relevant authorities will not take a different position.

The interpretation and application of the aforementioned laws and regulations and any new related laws and regulations in the future are often uncertain, and our practice may become inconsistent with them. For detailed information on these new laws and regulations, see “Regulatory Overview.” In the case of legal or regulatory noncompliance in this regard, in addition to the possibility of fines, we could face an order or rectification guidance requiring that we change our practices, which could have an adverse effect on our business and results of operations. Complying with new laws and regulations could also cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. See also “—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.”

We have established a data security committee that formulates internal control measures over data security and supervises the implementation of data protection protocols. See “Business—Data Privacy and Protection” for more details. Despite our efforts to establish internal control measures and to comply with applicable laws, regulations and other obligations relating to privacy, data protection and information security, it is possible that our practices or platform could fail to meet all of the requirements imposed on us by such laws, regulations or obligations. Any failure on our part to comply with applicable laws or regulations or any other obligations relating to privacy, data protection or information security, or any compromise of security that results in unauthorized access, collection, transfer, use or release of personally identifiable information or other data, or the perception or allegation that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing users from using our mobile app or result in investigations, fines, suspension of our mobile app, or other penalties by government authorities and private claims or litigation, any of which could materially adversely affect our business, financial condition and results of operations.

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In particular, if we fail to secure our users’ identity or protect their identity-specific data, our users may be vulnerable to insults, harassment, blackmails or physical injuries, and their family property and other assets may also be put at risk. As a result, we may be held liable for these incidents, and our users may feel insecure and cease to use our services. Our reputation may be seriously harmed and we may be unable to retain existing users and attract new users, which would in turn have a material adverse effect on our business and results of operations.

Any system failure or compromise of our security that results in unauthorized access to or release of the data, photo or chat history of our users could significantly limit the adoption of our services, as well as harm our reputation and brand, result in litigation against us, liquidated and other damages, regulatory investigations and penalties, and we could be subject to material liability. We expect to continue spending significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the scope of services we offer and as we increase the size of our user base.

***Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations.***

Our business is subject to supervision and regulation by various governmental authorities in China, and such governmental authorities mainly include the CAC, the Ministry of Commerce of the People’s Republic of China, or the MOFCOM, the Ministry of Industry and Information Technology, or the MIIT, the State Administration for Market Regulation, or the SAMR, the Ministry of Culture and Tourism, or the MCT, and the corresponding local regulatory authorities. Such governmental authorities promulgate and enforce laws and regulations that cover a variety of business activities that relate to our operations, such as provision of internet information, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses and permits for, the relevant business activities.

As of the Latest Practicable Date, we had not obtained certain approvals, licenses and permits that may be required for some aspects of our business operations, and we cannot assure the scope of our acquired approvals, licenses and permits is adequate. For example, we cannot assure you that the authorized scope of our value-added telecommunications business operating license, or VATS License is sufficient for our current business. We provide instant information exchange services and information communication platform services, via our mobile app, both of which fall within the scope of information services which is classified as value-added telecommunications services under applicable PRC laws and regulations. As of the Latest Practicable Date, the current authorized scope of our VATS License did not include “instant information exchange services” and “information communication platform services”. In the Q&A appendix of guideline relating to VATS License application promulgated on January 15, 2021, it is not directly indicated whether the Internet News Information Service License is required for applying VATS License to provide instant information exchange services and information communication platform services. Instead, the definition of “news information” under the Administrative Measures for Internet News Information Services is quoted in such appendix, which is relatively broad, covering the reports and comments on political, economic,

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military, diplomatic, other social and public affairs and relevant social emergencies. As of the Latest Practicable Date, we had not been informed by any government authorities that our mobile app is considered to be providing internet news information services under the Administrative Measures for Internet News Information Services.

Moreover, under the Administrative Measures for Internet News Information Services, the entity which is not news entity (including any entity where it holds controlling shares) or the entity under the administration of news publicity department (the “Other Entity”, which we are categorized as) could apply for the Internet News Information Service License, subject to the approval of CAC. However, there exist substantial obstacles for us to obtain the Internet News Information Service License. In practice, obtaining the Internet News Information Service License is a pre-condition for us to expand the business scope of our VATS License to include instant information exchange services and information communication platform services. According to the latest list of entities that had been granted with the Internet News Information Service License published on the website of the CAC on January 16, 2023, as of December 31, 2022, no Other Entity had obtained the Internet News Information Service License for instant communication tool (which directly corresponds to our business operation). The aforementioned substantial obstacles to obtain the Internet News Information Service License were confirmed during the telephone consultation on June 22, 2022 with the China Academy of Information and Communications Technology of MIIT (Telecommunication and Information Services Consulting Center), or the CAICT. We were also informed that no successful precedents was observed within the past three years. Our PRC Legal Adviser is of the view that CAICT is the competent authority to respond to such consultation.

As a result, although we identified the issue relating to the required scope of our VATS License in 2021 as we previously prepare for the Proposed U.S. Listing, due to the aforementioned substantial obstacles to obtain the Internet News Information Service License, we have not filed the application for the Internet News Information Service License and the current authorized scope of our VATS License does not include “instant information exchange services” and “information communication platform services”. In addition, we had not been required to obtain the Internet News Information Service License or expand the scope of our VATS License to cover “instant information exchange services” and “information communication platform services” since we first applied for VATS License.

In accordance with applicable PRC laws and regulations, due to such defects in VATS License, relevant authority may request us to rectify, confiscate the illegal income and impose a fine ranging from three to five times the amount of the illegal income. Only in serious cases, we would be ordered to suspend business operation, rectify, and classified as dishonest telecommunications business operators, which will be subject to heightened supervision. However, as informed during the aforementioned consultation, (i) we would not be deemed to be in material violation of relevant laws and regulations if we have not been subject to any investigation or penalty by any government authorities of telecommunications services for such business operations, (ii) it is confirmed that no investigation has been initiated and no penalty has been imposed before on any Other Entity for such

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business operations, and (iii) it is expected that there will not be any material change to the regulatory environment in the short term.

As of the Latest Practicable Date, we had not been required to rectify such defects of our VATS License or subject to any investigation or penalty due to such issue. If we were found to be in violation of any PRC laws or regulations due to the insufficient scope of our VATS license, we may be subject to fines, confiscation of illegal gains, revocation of our license or suspension of our services or other penalties, any of which could materially and adversely affect our business, financial condition and results of operations.

In addition, we operate several in-app party games through our mobile app. According to the Administrative Provisions on Online Publishing Services (《網絡出版服務管理規定》) and the Notice of the General Administration of Press and Publication (currently the “National Press and Publication Administration”), the National Copyright Administration and the Office of the National Work Group for “Combating Pornography and Illegal Publications” on Implementing the Provisions of the State Council on “Three Determinations” and the Relevant Explanations of the State Commission Office for Public Sector Reform and Further Strengthening the Administration of the Pre-approval of Online Games and Examination and Approval of Imported Online Games (《新聞出版總署、國家版權局、全國“掃黃打非”工作小組辦公室關於貫徹落實國務院 <“三定”規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》), the provision of the contents of online games to the public through the Internet for interactive online use or other operation services are considered publication of online games which requires the online publication service license, or Online Publication Service License, with corresponding business scope, and the pre-approval of the General Administration of Press and Publication. In August 2022, our PRC Legal Adviser conducted telephone consultations with officials of the National Press and Publication Administration, Shanghai Press and Publication Administration and Shanghai (Pudong New District) Administration of Culture and Tourism (Law Enforcement Team). We were informed during such consultations that: (i) the operators of online games are not deemed as internet publishing service provider thus they are not required to obtain the Online Publication Service License themselves for the operation of online games; (ii) the aforementioned pre-approval is only required for the operation of online games and such games are allowed to be published and sought approval by third-party entity with the Online Publication Service License, instead of requiring the operator to obtain such license. Our PRC Legal Adviser is of the view that such authorities are the competent authorities to respond to the respective part of the consultations consistent with their authority.

As of the Latest Practicable Date, we had not been informed by any government authorities that our in-app party games should be deemed as online games which could subject us to relevant PRC laws and regulations or requiring us to obtain such Online Publication Service License or pre-approval or subject us to any investigation or penalty due to such issue. However, if there is any different interpretation and implementation of relevant PRC laws and regulations in the future, for instance, if the in-app party games we operated through our mobile app are deemed as the aforementioned online games, we may be subject to various penalties. In accordance with applicable PRC laws and regulations, relevant authorities could impose penalties including, requiring us to

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discontinue the operation of such games, rectify in prescribed time frame, delete relevant publications on the internet, confiscating illegal income, relevant major equipment and specialized tools, imposing a fine of more than five times but less than ten times of such illegal income and, in serious cases, shutting down the website. Also, we were informed during the aforementioned consultation that, in line with relevant stipulations, in cases where penalties are imposed, the operation of the game will be restricted, while only in serious situations, an online game operator will be required to shut down the entire website or suspend the operation of the mobile app. During the Track Record Period, revenue from our in-app party games accounted for 0.1%, 0.5% and 0.6% of our total revenue in 2020, 2021 and 2022, respectively. Given that the revenue contribution of such in-app party game operation is relatively low and the aforementioned current regulatory environment, we have not taken specific measures to rectify such issue.

However, if, in practice, we are required to obtain such Online Publication Service License and/or pre-approval in the future, we cannot assure you that we will be able to timely obtain it and we may be prohibited from performing our business or subject to fines, confiscation of illegal gains, revocation of our licenses or other penalties, which may materially and adversely affect our business, financial condition and results of operations.

Also, the users of our mobile app could communicate with each other by posting and sharing text, audio and/or video. During our consultation with the Shanghai Administration of Culture and Tourism (Division of administration on radio, television and internet audio-visual program) on May 6, 2022, it was confirmed that currently it is not required for us to obtain the license for online transmission of audio-visual program, or Audio-Visual License, with respect to our operation of mobile app (which is not deemed as being within the scope of internet audio-visual program services under the applicable laws and regulations). Our PRC Legal Adviser is of the view that Shanghai Administration of Culture and Tourism (Division of administration on radio, television and internet audio-visual program) is the competent authority to respond to the above consultation. However, there is uncertainty as to whether such applicable laws and regulations will be differently interpreted or implemented in the future, and new rules or regulations promulgated in the future may also impose additional requirement on us. If it is determined in the future that the Audio-Visual License is required for the operation of our mobile app, we cannot assure you that we will be able to timely obtain it, which may materially and adversely affect our business, financial condition and results of operations.

We may be subject to penalties from the relevant government authorities for failure to obtain relevant approvals, licenses or permits for our business operations, including due to the aforementioned issues. In addition, we may be required to obtain additional approvals, licenses or permits or make additional filings, and we cannot assure you that we will be able to timely obtain, maintain or renew all the required approvals, licenses or permits or make or renew all the necessary filings in the future. In particular, as part of our continuous efforts to expand our business scope and explore innovative business models, we cannot guarantee that such strategies and measures will not be challenged under PRC laws and regulations and if so, relevant PRC government authorities may issue warnings, order us to rectify our violating operations and impose fines on us. In the case of serious violations as determined by relevant authorities at their discretion, they may ban the violating



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operations, seize our equipment in connection with such operations, impose a fine or revoke the approval, license, permit and/or filing, which may materially and adversely affect our business. If we fail to obtain, maintain or renew any of the required approvals, licenses or permits or make or renew the necessary filings on time or at all, we may be subject to various penalties, such as confiscation of the revenue that were generated through the unlicensed activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

***We currently generate the vast majority of our revenue from value-added services. We may not be able to continue to grow or eventually achieve profitability from such services.***

We generate the vast majority of our revenue through the provision of value-added services. During the Track Record Period, revenue from our value-added services accounted for 97.4%, 93.9% and 91.1% of our total revenue in 2020, 2021 and 2022, respectively. If we are to grow our revenue from value-added services, we will need to increase either the number of our paying users and/or average monthly revenue generated per paying user. Our ability to increase the number of paying users and/or average monthly revenue per paying user depends on, among other things, our ability to continually roll out more attractive functions and our ability to implement dynamic and precise pricing. There is no guarantee that we will be able to roll out functions attractive enough, or implement pricing dynamic and precise enough for our non-paying users or potential users to start paying for our value-added services. Therefore, we may not be able to grow or achieve profitability from value-added services.

***We cannot guarantee that our monetization strategies will be successfully implemented or that we will be able to generate sustainable revenue and profits.***

We are at the early stage of our business and our monetization model is new and evolving. We began monetizing our business in 2019. Currently, we generate the vast majority of our revenue from value-added services. We have also diversified our monetization models by leveraging our growing and engaged user base to provide advertising services to business customers and offering new services to our users, such as Giftmojis, a service that allows users to send physical gifts to each other. As a testament to the success of such diversification efforts, the revenue contribution from our advertising services has been increasing since the first quarter of 2021. Revenue from our advertising services as a percentage of our total revenue increased from 2.6% in 2020 to 6.1% in 2021 and further to 8.9% in 2022. As we continue to develop our business, we are making efforts to convert our users into paying users and explore new and innovative revenue streams. As a result, our revenue is affected by our ability to enhance our monetization, grow our user base, and increase user engagement, which in turn depends on our ability to expand the monetization models and continually maintain and improve user experience. If we fail to monetize our existing or new services or develop new approaches to monetization, we may not be able to maintain or increase our revenue or recover any associated costs and expenses. We monitor market developments and may adjust our monetization strategies accordingly from time to time, which may result in decreases of our overall

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revenue or revenue contributions from some monetization channels. In addition, we may have limited or no experience with the new revenue streams that we may introduce in the future. If these new revenue streams fail to engage our users, paying users, or business customers, we may fail to retain or attract enough users or business customers to generate sufficient revenue to justify our investment, and our business and results of operations may suffer as a result.

***We may not be able to successfully maintain and increase the number of paying users and average monthly revenue generated per paying user on our mobile app, which may materially and adversely affect our business operation and financial results.***

Our revenue and results of operation depends on our ability to monetize, to convert more users to paying users and to increase the spending of our paying users. In 2020, 2021 and 2022, our numbers of average monthly paying user were 929.3 thousand, 1.7 million and 1.7 million, respectively, and our average monthly revenues per paying user were RMB43.5, RMB60.5 and RMB75.3, respectively. Whether we can increase the number of paying users and average monthly revenue generated per paying user depends on many factors, and many of them are out of our control. For example, our users may be unwilling to pay for our services, we may fail to develop new services that are attractive enough to our existing paying users for them to pay, our paying users may have less disposable income as they need to meet financial obligations elsewhere, our paying users may no longer find our existing value-added services attractive or useful enough to purchase, and overall worsening economic conditions can lower disposable income for all existing paying users, causing them to spend less on our mobile app. We expect that our business will continue to be significantly dependent on revenue collected from paying users in the near future. Any decline in the number of paying users or average monthly revenue generated per paying user may materially and adversely affect our results of operations.

***Our mobile app may be confused with social mobile apps that target the online dating market, potentially negatively affecting our user attraction and retention.***

Our potential users may not fully comprehend the purpose and value of our mobile app, and there may be a misperception that our mobile app is used solely or mainly as a tool to start romantic relationships with strangers. If our potential new users, who are looking for genuine, non-romantic interpersonal relationships, are discouraged from downloading and trying our mobile app, or if users looking for romantic relationships start explicitly pursuing romantic relationships on our mobile app, our ability to attract users from our target user demographics may be severely hindered, and some of our existing users may start spending less time on or even be driven away from our mobile app due to them being connected with romance-seeking users that go against our goal and philosophy. Although our marketing efforts may serve to combat any misconception about our mobile app and brand, we cannot ensure you that we will be successful in effectively eliminating the negative impact of any such misconception. If we are not successful in educating the public about the purpose and target user demographics of our mobile app, our ability to attract and retain users and to maintain user engagement may be adversely affected.

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*The success of our business depends in part on our ability to develop and provide our users with new and innovative features and services.*

Our business is growing and becoming more complex, and our ability to engage, retain and increase our user base and to increase our revenue will depend heavily on our ability to quickly and successfully develop and launch new and innovative services. The industry in which we operate is evolving rapidly and users expect to see new features and experience new services offered by us within a relatively short period of time. Over the years, we have been continually upgrading our mobile app. Users can enjoy our value-added services by subscribing for our membership services, express themselves in various means, such as text, pictures, videos, voice and emojis, share their lives or view the lives of other users, and join the various interest groups on our mobile app. We have also introduced Giftmojis to our users in the first quarter of 2021 as part of our continuing efforts to offer more play features.

We may introduce significant changes to our existing services or develop and introduce new and unproven services. Developing and integrating new services could also be expensive and time-consuming, and these efforts may not yield the benefits we expect to achieve, or at all. If new or enhanced services fail to engage or entice our users, paying users or business partners, we may fail to attract or retain users or to generate sufficient revenue, operating margin, or other value to justify our investments, any of which may seriously harm our business.

*If we fail to keep up with technological developments and evolving user expectations, we may fail to maintain or attract users or generate revenue, and our business and results of operations may be materially and adversely affected.*

We operate in a market characterized by rapidly changing technologies, evolving industry standards, new service announcements, new improvements to services and application features and functionalities, and changing user expectations. Accordingly, our performance and the ability to further monetize our services will depend on our ability to adapt to these rapidly changing technologies and industry standards, and our ability to continually innovate in response to both evolving demands of the marketplace and competing services. There may be occasions when we may not be as responsive as our competitors in adapting our services to changing industry standards and the needs of our users.

Introducing new technologies into our systems involves numerous technical challenges, substantial amounts of capital and personnel resources and often takes many months to complete. We intend to continue to devote resources to the development of additional technologies and services. We may not be able to effectively integrate new technologies on a timely basis or at all, which may decrease user satisfaction with our services. Such technologies, even if integrated, may not function as expected or may be unable to attract and retain a substantial number of users to use our mobile app. We also may not be able to protect such technology from being copied by our competitors. Our failure to keep pace with rapid technological changes may cause us to fail to retain or attract users or

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generate revenue, and could have a material and adverse effect on our business and results of operations.

***We generate a portion of our revenue from advertising. If we fail to attract more advertisers or if advertisers reduce their spending or become less willing to advertise with us, our revenue may be adversely affected.***

Although we currently primarily rely on revenue generated from value-added services, there is also an increase in revenue generated from advertising services since we started the advertising services in the third quarter of 2020. Revenue from our advertising services increased by 509.9% from RMB12.8 million in 2020 to RMB77.9 million in 2021 and further increased by 90.5% to RMB148.3 million in 2022. We have since actively promoted our advertising services and will continue to do so in the future. Our advertising revenue is primarily driven by our average DAUs, which are attractive to advertisers and largely determines the pricing of our advertising services. Our advertising revenue is also driven by advertising revenue per DAU, which is defined as total advertising service revenue during a period divided by the average DAUs during the same period. Our revenue from advertising services also partly depends on the form of advertisements that we offer, our advertisement loads, the size of our advertising customer base, as well as the continued development of the online advertising industry in China and advertisers’ willingness to allocate budgets to online advertising or advertising at all and more importantly, their willingness to allocate budgets to our mobile app that serves primarily the young generations in China. In addition, companies that decide to advertise or promote online may utilize more established methods or channels, such as more established internet portals or other alternatives, over advertising on our mobile app, due to their concern about user perception or otherwise. If the online advertising market does not continue to grow, or if we are unable to capture and retain a sufficient share of that market, our ability to increase our current level of advertising revenue and our business prospects may be materially and adversely affected.

Furthermore, our core and long-term priority of optimizing user experience and satisfaction may limit our mobile app’s ability to generate revenue from advertising. Our insistence on putting user experience first may not be in line with the commercial interest of our advertisers, and may not result in the long-term benefits that we expect, in which case the success of our business and results of operations could be affected.

***Any noncompliance found in the advertisements shown on our mobile app may subject us to penalties and other administrative actions.***

We are responsible for and are obligated to monitor the advertising content shown on our mobile app to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. In addition, where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to drugs, medical devices, health-care food, and food for special medical purpose, we are obligated to confirm that such review has been performed and approval has been obtained. While we have made significant efforts to

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ensure that the advertisements shown on our mobile app are in full compliance with applicable PRC laws and regulations, there can be no assurance that all the content contained in such advertisements or offers is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If content in the advertisements shown on our mobile app is found to be non-compliant with applicable laws and regulation, we may be ordered to cease dissemination of the advertisements, and publish announcements correcting any misleading information in our advertisements. As a result, our advertising income may be confiscated, and we may be subject to a fine that greatly exceeds the advertising income. In severe cases, our business license may be revoked and our reputation will be damaged.

***Our business depends on the perception, awareness and influence of our brand within our addressable user communities. If we become a target for public scrutiny or subject of any negative publicity, our reputation and brand could be severely damaged, our ability to expand our user base may be impaired, and our business and results of operations may be materially and adversely affected.***

We operate our business under the main brand “Soul.” Our mobile app has been widely used among our target user demographics. A well-recognized brand is crucial to increasing our user base and, in turn, facilitating our efforts to monetize our services and enhancing our attractiveness to users, paying users and business partners. From time to time, we conduct various marketing activities both online and offline to enhance our brand and to guide public perception of our brand and services. We may need to increase our marketing expenditures in order to create and maintain brand awareness and brand loyalty, to influence public perception, to retain existing and to attract new users and business partners as well as to promote our services. However, there can be no assurance that these activities will be successful or that we will be able to achieve the brand promotion effect we expect.

Since we operate in a highly competitive industry, brand maintenance and enhancement directly affect our ability to maintain our market position. We must continually exercise strict quality control of our mobile app to ensure that our brand image is not tarnished by substandard services. We must also promote and distinguish our mobile app from mobile apps of our competitors. If for any reason we are unable to maintain and enhance our brand recognition, or if we incur excessive expenses in this effort, our business, results of operations and prospect may be materially and adversely affected.

Moreover, as our business expands and grows, we may be exposed to heightened public scrutiny in markets where we already operate as well as in new markets where we may operate. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects.

Furthermore, our brand name and our business may be harmed by aggressive marketing and communication strategies by competitors and third parties. We may be subject to government or regulatory investigation or third-party claims as a result and we may be required to spend significant time and incur substantial costs to react to and address these consequences. There is no assurance

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that we will be able to effectively refute each of the allegations within a reasonable period of time, or at all. Additionally, public allegations, directly or indirectly, against us or our business partners, may be posted online by anyone on an anonymous basis. The availability of information on social media platforms is virtually immediate, as is its impact. Social media platforms may not necessarily filter or check the accuracy of information before publishing them and we are often afforded little or no time to respond. As a result, our reputation may be materially and adversely affected and our ability to attract and retain users and maintain our market share and our financial condition may suffer.

*We face risks associated with the misconduct of our employees, business partners and their employees and other related personnel.*

We rely on our employees to maintain and operate our business and have implemented an internal code of conduct to guide the actions of our employees. However, we do not have control over the actions of our employees, and any misbehavior of our employees could materially and adversely affect our reputation and business. For example, if our employees download pirated software to their work computers or perform other unauthorized actions on our IT system, we may be exposed to security breach. Despite the security measures we have implemented, our systems and procedures and those of our business partners may be vulnerable to security breaches, act of vandalism, software viruses, misplaced or lost data, programming or human errors or other similar events caused by our employees, our business partners and their employees and other related personnel, which may disrupt our delivery of services or expose the identities and confidential information of our users and others. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we may lose current and potential users, and we may be exposed to legal and financial risks, including those from legal claims, regulatory fines and penalties, which in turn could adversely affect our business, reputation and results of operations.

With respect to employees or ex-employees, we could also in the future face a wide variety of claims, including discrimination (for example, based on gender, age, race or religious affiliation), sexual harassment, privacy, labor, employment or tort claims. Often these cases raise complex factual and legal issues, and the result of any such claims are inherently unpredictable. Claims against us, whether meritorious or not, could require significant amounts of management time and corporate resources to defend, could result in significant media coverage and negative publicity, and could be harmful to our reputation and our brand. If any of these claims were to be determined adversely to us, or if we were to enter settlement arrangements, we could be exposed to monetary damages or be forced to change the way in which we operate our business, which could have an adverse effect on our business, financial condition and results of operations.

In December 2020, two of our ex-employees, including a former director, previously engaged in our content screening functions were convicted of maliciously and falsely publishing illegal content on an online content platform operated by another PRC company during their employment with us, in their personal capacities, unbeknown to us at the time and without our authorization. It was reported that the mobile app downloading services of such third-party platform were



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subsequently suspended. We were not named as a party to, or found liable for the wrongdoings committed by the individuals in, the criminal proceeding against the two individuals in their respective personal capacities. In 2021, such third-party online platform filed a civil lawsuit against us in connection with such incident to the Pudong New District People’s Court of Shanghai to seek compensation for damages due to alleged unfair competition in the total amount of approximately RMB26.9 million. In November 2022, the judgment of the first instance was made. According to the unpublicized judgment of the first instance, the court only supported a rather insignificant amount of the plaintiff’s aforementioned compensation claim along with a public apology. As of the Latest Practicable Date, such lawsuit was still on trial with appeal for judgment of the first instance filed by both the plaintiff and defendant (of which the hearing date has not been determined). By the time when the appeal process is concluded, the judgment of the first instance will not be enforced, and as such, our corresponding properties will keep being temporarily preserved by the court. Our legal counsel for such civil lawsuit advised that, even if we were eventually found liable in the second instance, it is rather likely that the judgment of the first instance (instead of the plaintiff’s original claim) is to be upheld. Based on the above and considering (i) the compensation amount under the plaintiff’s original claim has already been cut down to a great extent by the judgment of the first instance; and (ii) the contingent monetary liability of such civil lawsuit as advised by the legal counsel thereof only accounts for a rather insignificant percentage of our total assets, our Directors and PRC Legal Adviser are of the view that such civil lawsuit will not have a material adverse effect on our overall business operation. Although we plan to defend ourselves rigorously against such lawsuit, we are not able to predict the outcomes of such lawsuit at the current stage and our involvement in such lawsuit or future proceedings relating to this matter could potentially be costly and time-consuming and subject us to reputational and monetary damages, and there could be no assurance that regulatory authorities will not take any additional adverse actions against us.

We also work with our business partners in our business operation, and their performance affects the image of our brand. However, we do not directly supervise them in providing services to us or our users. Although we generally select business partners with strong reputation and track record, we may not be able to successfully monitor, maintain and improve the quality of their services. In the event of any unsatisfactory performance by our business partners and/or their employees, our business operation may be negatively impacted and our users may experience disruptions in services or decline in service quality, which may materially and adversely affect our reputation, our ability to retain and expand our user base, and our business, financial condition and results of operations.

***If we cannot maintain our corporate culture as we grow, our user base may decline, which may negatively affect our business prospects.***

We believe that a critical component of our success is our corporate culture. We are comprised of a group of team players passionate about connecting strangers together through genuine interpersonal relationships. Powered by technological innovation, we endeavor to develop a community where our users can express themselves freely, experience and enjoy the lives of others, and find meaningful interpersonal relationships with users most suitable for them. Any failure to

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preserve our culture could undermine our reputation in the marketplace and negatively impact our ability to retain existing users and attract new users, which would in turn jeopardize our business prospects.

***We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.***

To pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to improve our brand awareness, develop new services or further improve existing services, expand into new markets and acquire complementary businesses and technologies, we may require additional capital from time to time. However, we may not be able to obtain additional funds timely on acceptable terms, or at all. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the industry where we operate;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital raising activities by online social networking and other internet companies in China; and
- economic, political and other conditions in China and internationally.

If we are unable to obtain additional capital in a timely manner or on acceptable terms, or at all, our ability to continue to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be materially and adversely affected. In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

In addition, we face liquidity risk which is the risk that we may not be able to meet our financial obligations as they come due under stressed conditions. We manage our liquidity risk by continually monitoring forecasted and actual revenue, expenditures and cash flows from operations and continue to diversify our cash and investment positions across large financial institutions. Historically, we had certain amounts of cash deposited with Silicon Valley Bank, which had already been fully withdrawn as of the date of this document. While we currently have sufficient operating capital to meet our day to day operating needs, should we experience a working capital deficiency in the future, our business operation and reputation may be harmed.

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*Our mobile app depends on the effective interoperation of our systems with mobile operating systems, hardware, networks, standards, and particularly the internet infrastructure and telecommunications networks in China, none of which we control. We also rely on proper operation and maintenance of our technology systems and infrastructure. Any malfunction, capacity constraint, or operation interruption may have an adverse impact on our business.*

Our mobile app must remain interoperable with popular mobile operating systems, such as iOS and Android, and related hardware. We have no control over these operating systems or hardware, and any changes to these systems or hardware that degrade the functionality of our services, or give preferential treatment to competing mobile apps, could seriously harm usage of our mobile app. We plan to continue to introduce new services regularly and have experienced that it takes time to optimize such services to function with these operating systems and hardware, impacting the popularity of such services, and we expect this trend to continue.

To deliver high quality services, it is crucial that our services work well with a range of mobile technologies, systems, networks, regulations, and standards that we do not control. In particular, any future changes to the iOS or Android operating systems may impact the accessibility, speed, functionality and other performance aspects of our services, causing various issues in the future from time to time. In addition, the adoption of any laws or regulations that adversely affect the growth, popularity or use of the internet could decrease the demand for our services and increase our cost of doing business.

Our mobile app must also remain interoperable with app stores and related hardware, including mobile-device cameras, in addition to popular mobile operating systems. The owners and operators of such operating systems and major app stores have approval authority over our mobile app. Additionally, mobile devices are manufactured by a wide array of companies. Those companies have no obligation to test the interoperability of new mobile devices with our mobile app, and may produce new mobile devices that are incompatible with or not optimal for our mobile app. We have no control over these operating systems, app stores, or hardware, and any changes to these systems, app stores, or hardware that diminish the performance of our mobile app, or give preferential treatment to competing mobile apps which could seriously affect the use of our mobile app on mobile devices. If our competitors control any operating system and related hardware where our mobile app runs, they could make our mobile app interoperable with those mobile operating systems and related hardware more difficult or make their competing offerings more prominent than ours. Additionally, our competitors that control the standards for the app stores or operating systems could make our mobile app or certain features and functionalities of our mobile app inaccessible for a potentially significant period of time. We plan to continue to introduce new features and functionalities for our mobile app, but our experience indicates that it takes time to optimize new features and functionalities for these operating systems, hardware, and standards, and such delay in optimization could impact the popularity of our mobile app.

We may fail to successfully cultivate relationships with key industry participants or develop new features and functionalities of our mobile app that operate effectively with these technologies,

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systems, networks, regulations, or standards adopted by these industry participants. If it becomes more difficult for our users to access and use our mobile app on their devices, if our users choose not to access or use our mobile app on their devices, or if our users choose to use mobile apps from our competitors, our user growth, retention, and engagement could be seriously harmed.

Our business and the continuing performance, reliability and availability of our technology systems and mobile app also depend on the performance and reliability of China’s internet, mobile, and other infrastructures that are not under our control. Disruptions in internet infrastructure or the failure of telecommunications network operators to provide us with the bandwidth needed to provide our services may interfere with the speed and availability of our services on our mobile app. If our mobile app is unavailable when users attempt to access them, or if our mobile app does not respond as quickly as our users expect, users may not return to use our mobile app as often in the future, or at all, and may use our competitors’ platform or services instead. In addition, we have no control over the costs of the services provided by China’s telecommunications operators. If mobile internet access fees or other charges to internet users increase, user traffic may decrease, which may in turn cause our revenue to significantly decrease.

*Any significant cybersecurity incident or disruption of our information technology systems or those of third-party partners could materially damage our user relationships and subject us to significant reputational, financial, legal and operational consequences.*

We depend on our information technology systems, as well as those of third parties, to develop new products and services, operate our platform, host and manage our services, store data, process transactions, and respond to user inquiries. Any material disruption or slowdown of our systems or those of third parties whom we depend upon, including a disruption or slowdown caused by our failure to successfully manage significant increases in user volume, could cause outages or delays in our services, which could harm our brand and adversely affect our operating results.

We rely on cloud servers maintained by cloud service providers such as Alibaba Cloud Services to store our data. Problems with our cloud service providers or the telecommunications network providers with whom they contract could adversely affect the experience of our users. Our cloud service providers could decide to cease providing us with services without adequate prior notice. In particular, a majority of our cloud storage is provided by Alibaba Cloud Services, based on a service contract with one-year terms. We believe the services provided by Alibaba Cloud Services are standardized and can be replaced by services provided by other similar service providers.

Any change in service levels at our cloud servers or any errors, defects, disruptions, or other performance problems with our platform could harm our brand and may damage the data of our users. If changes in technology cause our information systems, or those of third parties whom we depend upon, to become obsolete, or if our or their information systems are inadequate to handle our growth, we could lose users and our business and operating results could be adversely affected.

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*We may, from time to time, be subject to legal proceedings during the course of our business operations. Our directors, management, shareholders and employees may also from time to time be subject to legal proceedings, which could adversely affect our reputation and results of operations.*

From time to time, we are subject to allegations, and may be party to legal claims and regulatory proceedings, relating to our business operations and business partners. Such allegations, claims and proceedings may be brought by third parties, including users, employees, business partners, governmental or regulatory bodies, competitors or other third parties. The outcome of litigation is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. We may incur significant expenses related to such proceedings, which may negatively affect our operating results if changes to our business operations are required. There may also be negative publicity associated with litigation that could decrease user acceptance of our social networking service, regardless of whether the allegations are valid or whether we are ultimately found liable. In addition, our directors, management, shareholders and employees may from time to time be subject to litigation, regulatory investigations, proceedings and/or negative publicity or otherwise face potential liability and expense in relation to commercial, labor, employment, securities or other matters, which could adversely affect our reputation and results of operations. As a result, litigation may adversely affect our business, financial condition, results of operations or liquidity.

After we become a [REDACTED] company, we may face additional exposure to claims and lawsuits. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims, which could harm our business, financial condition and results of operations.

*The ongoing outbreak of COVID-19 could adversely affect our business, results of operations and financial condition.*

Beginning in 2020, outbreaks of COVID-19 resulted in quarantines, travel restrictions, and the temporary closure of offices and facilities in China and many other countries. We have witnessed growth in our operational performance, user base and user engagement in 2020 and 2021. While we believe our historical growth momentum can be maintained, we cannot guarantee that such growth trend in our operational performance will continue after the impact of COVID-19 pandemic has been contained in China. People may spend less time at home or using mobile apps and more time on outdoor activities going forward due to possibilities such as availability of effective vaccines and loosening of restrictions on travel and public gatherings. The increased unemployment and reduced income resulting from COVID-19 could also hinder the disposable income our users can spend in our mobile app. In addition, we may need to make adjustments to operation hours, make work-from-home arrangements and even temporarily close our offices in the event that COVID-19 or any of its variants strikes in a future wave, and we may experience lower work efficiency and productivity during such period.

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The COVID-19 resurgence caused by the Omicron variants since late March 2022 in multiple regions in China, including Shanghai where our headquarters is located, had an adverse impact on our operations. Temporary restrictions, quarantines, lockdowns and other measures were reinstated in various parts of China, and some of our business partners and advertising customers were temporarily affected by such restrictions. The decline in economic activities during COVID-19 resurgence has caused our advertising customers to tighten their advertising budget. In addition, some of our new business development activities had also been temporarily postponed due to the restrictions. China began to modify its COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There were an increasing number of cases in many cities during this time which had a temporary impact on user activity. There remains uncertainty as to the future impact of the virus, especially in light of this change in policy. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. While we believe the impact on our business due to the outbreak of COVID-19 was limited, the extent to which the COVID-19 outbreak impacts our long-term results remains uncertain, and we have continued to closely monitor its impact on us. Our business, results of operations, financial condition and prospects could be adversely affected directly, as well as indirectly to the extent that the ongoing COVID-19 outbreak harms the Chinese and global economy in general. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also heighten many of the other risks described in this “Risk Factors” section.

***Increasing focus with respect to environmental, social and governance matters may impose additional costs on us or expose us to additional risks. Failure to comply with the laws and regulations on environmental, social and governance matters may subject us to penalties and adversely affect our business, financial condition and results of operation.***

The PRC government and public advocacy groups have been increasingly focused on environment, social and governance, or ESG, issues in recent years, making our business more sensitive to ESG issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds, and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and the PRC government on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company’s ESG practices. Any ESG concern or issue could increase our regulatory compliance costs. If we do not adapt to or comply with the evolving expectations and standards on ESG matters from [REDACTED] and the PRC government or are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and the business, financial condition, and the [REDACTED] of our Shares could be materially and adversely effected.



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***Computer and mobile malware, viruses, hacking and phishing attacks, spamming and improper or illegal use of our mobile app may affect user experience, which could reduce our ability to attract users and advertisers and materially and adversely affect our business, financial condition and results of operations.***

Computer and mobile malware, viruses, hacking and phishing attacks have become more prevalent in our industry, have occurred on our mobile app in the past, and may occur again in the future. Although it is difficult to determine what, if any, direct harm may result from an interruption or attack, any failure to maintain performance, reliability, security and availability of our mobile app and technology infrastructure to the satisfaction of our users may seriously harm our reputation and our ability to retain existing users and attract new users.

In addition, spammers may use our mobile app to send targeted and untargeted spam messages to users, which may affect user experience. In spamming activities, spammers typically create multiple user accounts for the purpose of sending spam messages. Although we attempt to identify and delete accounts created for spamming purposes, we may not be able to effectively eliminate all spam messages from our mobile app in a timely fashion. Our actions to combat spam may also require diversion of significant time and focus of our technology team from improving our mobile app. As a result, our users may use our mobile app less or stop using them altogether, and result in continuing operational costs to us.

***If the software used by our mobile app and internal systems contains undetected programming errors or vulnerabilities, our business could be adversely affected.***

Our mobile app and internal systems rely on software, including software developed or maintained internally and/or by third parties. In addition, our mobile app and internal systems depend on the ability of such software to store, retrieve, process and manage immense amounts of data. The software on which we rely in the past has contained, and may now or in the future contain, undetected programming errors, bugs, or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors, vulnerabilities, or other design defects within the software on which we rely may result in a negative experience for users using our mobile app, delay introductions of new features or enhancements, result in errors or compromise our ability to protect the data of our users and/or our intellectual property or lead to reductions in our ability to provide some or all of our services. In addition, any errors, bugs, vulnerabilities, or defects discovered in the software on which we rely, and any associated degradations or interruptions of service, could result in harm to our reputation and loss of users, which could adversely affect our business, financial condition and operation results.

***Our internal systems and mobile app contain open source software, which may pose particular risk to our proprietary software and mobile app features and functionalities in a manner that negatively affect our business.***

We use open source software in our internal systems and mobile app and will continue to use open source software in the future. To handle risks in this regard, we have set up an internal system

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that monitors any change in the source code of any open source software we use in our operation, made risk management plan for open source software, and increasingly invested in developing our proprietary software. Despite these risk management efforts, 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 our services through the various features and functionalities of our mobile app. 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 services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional technology and development resources, and we may not be able to complete it successfully.

***We are dependent on app stores to disseminate our mobile app.***

We offer our social networking services through our mobile app. Our mobile app is offered via smartphone and tablet apps stores operated by third parties, such as the Apple App Store and various Android app stores. These app stores could suspend or terminate users’ access to our mobile app, increase access costs or change the terms of access in a way that makes our mobile app less desirable or harder to access. As such, the promotion, distribution and operation of our mobile app are subject to such distribution platforms’ standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. If Apple’s App Store or any Android app stores interpret or change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us for any reason, the number of our mobile app downloads may decrease, as a result of which our business, financial condition and results of operations may be materially and adversely affected. We have experienced in the past suspension of our mobile app by app stores due to regulations and government scrutiny on our business or industry or applicable requirements of such app stores. In the future, it is possible that compliance requirements of app stores may cause us to suspend our mobile app from such stores. As a result, our ability to expand our user base may be hindered if potential users experience difficulties in or are barred from accessing our mobile app. Any such incident may adversely affect our brand and reputation, business, financial condition and results of operations.

While our mobile app is free to download from third-party app stores, we provide value-added services comprising a wide variety of additional social features and functions that users pay to use. We determine the prices at which these value-added services are sold and, in exchange for facilitating the purchase of these value-added services through our mobile app to users who download the mobile app from these stores, we pay Apple and other Android app store operators, as applicable, a certain share of the revenue we receive from these transactions. As the distribution of our mobile app through app stores increases, we may need to offset any further increase in fees charged by app stores by decreasing traditional marketing expenditures as a percentage of revenue, increasing user volume or monetization per user, or by engaging in other efforts to increase revenue or decrease costs generally, otherwise our business, financial condition and results of operations could be adversely affected.

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*We are subject to risks relating to third-party online payment platforms.*

Currently, we collect payments for our services from paying users through third-party online payment systems. In all these online payment transactions, secured transmission of confidential information such as paying users’ credit card numbers and personal information over public networks is essential to maintaining users’ trust and confidence on our mobile app.

We do not have control over the security measures of our third-party online payment vendors. Any security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential user 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 or mobile network security breach were to occur, users may become reluctant to pay for our services even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage user confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, we may lose paying users and users may be discouraged from purchasing our services, which may have a material adverse effect on our business.

In addition, there are currently only a limited number of reputable third-party online payment service providers in China and certain other countries where we operate. Currently, we use Apple Pay, Alipay, Google Play and Weixin Pay as our payment service providers. Our contracts with them are highly standardized and are either on one-year terms or without fixed terms. These third-party payment platforms have the right to unilaterally terminate their contracts with us. If any of these payment service providers decides to cease to provide services to us, or significantly increase the percentage they charge us for using their payment systems for our services, our results of operations may be materially and adversely affected. However, we view any of these platform services interchangeable and can be replaced by other similar service providers.

*One of our principal shareholders offers products and services that may compete with ours.*

Tencent, a principal shareholder of ours, offers products and services that may compete with ours. For example, Tencent Group provides (i) communication and social services such as Weixin (微信) and QQ which offer instant messaging services with mainly real-life acquaintances, and provide users with content and services; and (ii) content apps which focus on content-based social entertainment, both of which overlap with our services to some extent. As of the Latest Practicable Date, Tencent beneficially owned 49.90% of our issued and outstanding ordinary shares on an as-converted basis, and will own [REDACTED]% of our issued and outstanding ordinary shares immediately after the completion of the [REDACTED], assuming the Presumptions. Internet service providers in China have strong technological capabilities, and may independently develop more products and services that compete with ours in the future. If competition between us and our shareholders becomes more intense in the future, we cannot guarantee that our business and results of operation will continue to grow at the level we are experiencing now.

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

Our industry generally experiences seasonality, primarily due to variations in young people’s leisure time. For example, we may attract more users to join our mobile app and spend more time during summer, winter vacations and other important holidays such as the Spring Festival in China. Consequently, we may generate more revenue during those periods. Overall, the historical seasonality of our business has been relatively mild, but seasonality may increase in the future. Due to our limited operating history, the seasonal trends that we have experienced in the past may not be indicative of our future operating results. Our financial condition and results of operations for future periods may continue to fluctuate. As a result, the [REDACTED] of our Shares may fluctuate from time to time due to seasonality.

***We may not be able to adequately protect our intellectual property, which could cause us to be less competitive, and third-party infringements of our intellectual property rights may adversely affect our business.***

We believe that our copyrights, trademarks and other intellectual property are essential to our success. See also “Business—Intellectual Property.” We have devoted considerable time and energy to the development and improvement of our mobile app and our system infrastructure.

We rely on a combination of copyright and trademarks laws, trade secrets protection and other contractual restrictions for the protection of the intellectual property used in our business. Effective intellectual property protection may not be available or may not be sought in every country where our mobile app is made available, and contractual disputes may affect the use of the intellectual property governed by private contract. Although our contracts with users and business partners typically prohibit the unauthorized use of our brands, images and other intellectual property rights, there can be no assurance that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Although we enter into confidentiality and intellectual property ownership agreements with our employees, and we also have in place various relevant internal rules and policies that require compliance from our employees, these agreements could be breached, the internal rules and policies could be violated, we may be involved in disputes in respect of these agreements and internal rules and policies for which we may not have adequate remedies, and our proprietary technology, know-how or other intellectual property could otherwise become known to third parties. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

While we actively take steps to protect our proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of our intellectual property. We cannot assure our registered trademarks have covered an adequate scope of our existing and future business operations, and as of the Latest Practicable Date, we were in the process of registering certain trademarks that are necessary based on the current scope of our business. However, there can be no assurance that

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any of our trademark applications will ultimately proceed to registration or will result in registration with adequate scope for our business, particularly if such requested trademarks are found to conflict with the registered trademarks owned by third parties, including our competitors. Some of our pending applications or registrations may be successfully challenged or invalidated by others. If our trademark applications are not successful, we may have to use different marks for affected services, or seek to enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all.

Implementation and interpretation of intellectual property laws in China are subject to uncertainties and constantly evolving. Accordingly, we may not be able to effectively protect our intellectual property rights in China. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as materially adversely affect our financial condition and results of operations.

***We may be subject to intellectual property infringement claims or other allegations by third parties, which may materially and adversely affect our business, financial condition and prospects.***

From time to time, we are subject to intellectual property infringement claims or other allegations by third party owners or right holders of technology patents, copyrights, trademarks, trade secrets and website content for services we provide or for information or content displayed on, retrieved from or linked to, recorded, stored or made accessible on our mobile app, or otherwise distributed to our users, including in connection with the music, movies and videos played, recorded, stored or made accessible on our mobile app during user profile display or advertisement display, which may materially and adversely affect our business, financial condition and prospects.

Generally, companies in the internet-related industries are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of other parties’ rights. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims or other legal proceedings.

We allow users to upload text, pictures, audio, video and other content to our mobile app and users to download, share, link to and otherwise access other content on our mobile app. Under relevant PRC laws and regulations, online service providers, which provide storage space for users to upload works or links to other services or content, could be held liable for copyright infringement under various circumstances, including situations where the online service provider knows or should reasonably have known that the relevant content uploaded or linked to on its platform infringes upon the copyright of others and the online service provider failed to take necessary actions to prevent such infringement. We have procedures implemented to reduce the likelihood that content might be

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used without proper licenses or third-party consents. However, these procedures may not be effective in preventing the unauthorized posting or distribution of copyrighted content and we may be considered failing to take necessary actions against such infringement. Therefore, we may face liability for copyright or trademark infringement, defamation, unfair competition, libel, negligence, and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through our mobile app.

Defending claims is costly and can impose a significant burden on our management and employees, and there can be no assurance that favorable final outcomes will be obtained in all cases. Such claims, even if they do not result in liability, may harm our reputation. Any resulting liability or expenses, or changes required to our mobile app to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

***Future strategic alliances, long-term investments and acquisitions may subject us to risks which in turn may have a material and adverse effect on our business, reputation and results of operations.***

We may enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquisitions may not achieve our goals and could be viewed negatively by users, advertisers, partners or investors. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders’ approval, we may also have to obtain approvals and licenses from relevant governmental authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs.



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***Our operating metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may materially and adversely affect our business and operating results.***

We regularly review metrics, including average DAUs and MAUs, to evaluate growth trends, measure our performance and make strategic decisions. These metrics are calculated using internal company data and have not been validated by an independent third party. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. We treat each account as a separate user for the purposes of calculating the number of our users. Accordingly, the calculations of our users may not accurately reflect the actual number of people using our mobile app. Errors or inaccuracies in our metrics could result in incorrect business decisions and inefficiencies. For example, if a significant understatement or overstatement of the number of users were to occur, we may expend resources to implement unnecessary business measures or fail to take required actions to attract a sufficient number of users to satisfy our growth strategies.

Our measures of operating metrics may differ from estimates published or adopted by third parties, including but not limited to business partners, market and investment research organizations (including short-selling research firms), investors and media, or from similarly titled metrics used by our competitors or other companies in the relevant industries due to differences in methodology and assumptions. If these third parties do not perceive our operating metrics to be accurate representations of operations, or if we discover material inaccuracies in our operating metrics, our brand value and reputation may be materially harmed, our users and business partners may be less willing to allocate their resources or spending to us, and we may face lawsuits or disputes in relation to the inaccuracies. As a result, our business and operating results may be materially and adversely affected.

***Our business is sensitive to economic conditions. A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business, financial condition and results of operations.***

COVID-19 had a severe and negative impact on the Chinese and the global economy. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy has gradually slowed in recent years and the trend may continue. There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian 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 trade policies, treaties, government regulations and tariffs. Any further escalation in trade tensions between China and the U.S. or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not only the two countries concerned, but the

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global economy as a whole. There have been further uncertainties related to the U.S. Federal Reserve’s monetary policies in response to market conditions under the impact of COVID-19 and the increasing inflation pressure. It is unclear whether these challenges and uncertainties will be contained or resolved and what effects they may have on the global political and economic conditions in the long term. 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.

***Our business depends substantially on the continuing efforts of our executive officers and other key employees. If we lose their services, our business operations and growth prospects may be materially and adversely affected.***

Our future success depends heavily on the continuing services of our executive officers and other key employees. In particular, we rely on the expertise, experience and vision of our founder, chairwoman of the board of directors and chief executive officer, Ms. Lu Zhang, as well as other members of our senior management team. If one or more of our executive officers or other key employees were unable or unwilling to continue their services with us or are otherwise subject to any legal or regulatory liabilities in their personal capacity or otherwise, we might not be able to replace them easily, in a timely manner, or at all. Competition for qualified talent is intense, there can be no assurance that we will be able to attract or retain qualified employees. As a result, our business may be materially and adversely affected, our financial condition and results of operations may be severely affected, and we may incur additional expenses to recruit, train and retain key personnel. During the Track Record Period, certain of our directors and members of our management team discontinued their services with us for personal reasons while certain other directors resigned to streamline the structure of the board.

Moreover, if any of our executive officers or other key employees joins a competitor or forms a competing company, we may lose know-how, trade secrets, business partners, user base and market share. Each of our executive officers and key employees has entered into an employment agreement, a confidentiality and intellectual property ownership agreement and a non-compete agreement. However, these agreements may be deemed invalid or unenforceable under PRC laws and other applicable laws and regulations in other jurisdictions. If any dispute arises between our executive officers or key employees and us, there can be no assurance that we would be able to enforce these agreements in China and other jurisdictions, where these executive officers and key employees reside.

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*Competition for qualified personnel is often intense. If we are unable to recruit, train and retain sufficient qualified personnel while controlling our labor costs, our business may be materially and adversely affected.*

Our ability to continue to conduct and expand our operations depends on our ability to attract and retain a large and growing number of qualified personnel in China and also globally. Our ability to meet our labor needs, including our ability to find qualified personnel to fill positions that become vacant, while controlling labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which we operate, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised employment and labor laws and regulations. If we are unable to locate, attract or retain qualified personnel, or manage leadership transition successfully, the quality of service we provide to users may decrease and our financial performance may be adversely affected. In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations or healthcare laws are adopted or implemented that further increase our labor costs, our financial performance could be materially and adversely affected.

*We may not have sufficient insurance to cover our business risks, so that any uninsured occurrence of business disruption may result in substantial costs to us and the diversion of our resources, which could have an adverse effect on our results of operations and financial condition.*

We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. Additionally, we provide supplementary medical insurance for all management. We do not maintain business-related insurance, nor do we maintain key-man life insurance or any insurance covering liabilities resulting from misconducts or illegal activities committed by our employees, users or business partners. In addition, insurance companies in China currently offer limited business-related insurance products. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could disrupt our business operations, requiring us to incur substantial costs and divert our resources, which could have an adverse effect on our business, financial condition and results of operations could be materially and adversely affected.

*If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results, meet our reporting obligations or prevent fraud.*

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect

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our business. Our efforts in improving our internal control system may not result in elimination of all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

*If we fail to meet the challenges presented by our international operations, our business, financial condition and results of operations may be adversely affected.*

We currently have operations in certain countries and regions outside of China. Our limited experience and infrastructure in such markets, or the lack of a critical mass of users in such markets, may make it more difficult for us to effectively monetize the user base or user engagement in those markets, and may increase our costs without a corresponding increase in revenue. We are subject to a variety of risks and challenges inherent in doing business internationally, including but not limited to, (i) political, social and economic instability of each foreign jurisdiction where we operate; (ii) fluctuations in currency exchange rates; (iii) risks and compliance challenges related to the continuously evolving and conflicting laws, rules, regulations and their respective enforcement in foreign jurisdictions, including with respect to privacy, data security, tax, by both our employees and our business partners, over whom we exert no control; (iv) potential damage to our brand and reputation due to compliance with local laws, including potential censorship and/or requirements to provide user information to local authorities; (v) difficulties in staffing and managing global operations and the increased travel, infrastructure and compliance costs associated with multiple international locations; and (vi) differing levels of technology development in different countries, including third-party payment platforms. If we fail to successfully address these risks and challenges, our business, financial condition and results of operations may be adversely affected.

*We have granted and expect to continue to grant share-based awards in the future under our share incentive plan, which may increase share-based payments expenses, affect our financial performance, and potentially dilute the shareholding of existing shareholders.*

In order to attract and retain qualified employees, provide incentives to our directors and employees, and promote the success of our business, we adopted a share incentive plan in November 2017, which was amended and restated in March 2020, or the Pre-[REDACTED] Share Incentive Plan. As of the Latest Practicable Date, the maximum aggregate number of ordinary shares that may be issued under the Pre-[REDACTED] Share Incentive Plan was 16,147,145, and the number of underlying Shares pursuant to the outstanding options granted under the Pre-[REDACTED] Share Incentive Plan amounts to 14,896,373 Shares, excluding options that were forfeited or canceled after the relevant grant dates. In 2020, 2021 and 2022, we recorded RMB39.3 million, RMB47.8 million and RMB53.1 million share-based payments expenses, respectively. We expect to issue the [16,147,145] Shares underlying the Pre-[REDACTED] Share Incentive Plan and pursuant to the share awards granted thereunder to a trust before the [REDACTED].

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 to employees in the future. As a result, our expenses associated with share-based payments expenses

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may increase, which may have an adverse effect on our results of operations, and our existing shareholders’ shareholding may be diluted.

***We recorded net current liabilities as of December 31, 2020, 2021 and 2022.***

We recorded net current liabilities of RMB7,030.9 million, RMB9,280.0 million and RMB10,620.7 million as of December 31, 2020, 2021 and 2022, respectively, primarily due to redeemable shares and financial liabilities for redemption obligations and other payables and accrued expenses. Upon [REDACTED], the redemption obligation related to the financial liabilities will expire and our redeemable shares will be automatically converted into ordinary shares. The liabilities will be reclassified as equity as a result of the [REDACTED] with no gain or loss. After [REDACTED], we do not expect to recognize any further gain or loss and we will return to a net asset position from a net liability position. However, there can be no assurance that we will not experience liquidity problems in the future.

***We are subject to credit risk associated with our trade receivables.***

Our trade receivables consist of outstanding amounts payable by third parties and certain related parties in connection with the advertising services we provide. Our trading terms with our advertising services customers are on credit. We generally offer a credit period of 30 to 180 days to those customers, and our cash flow may be materially and adversely affected by any deterioration in their credit quality. If our advertising services customers delay or default on their payments, for reasons including non-payment, requests for refund, or deterioration or termination of our relationship with them, we may not be able to fully recover the outstanding amounts due from them and we may have to make provision for impairment, write off the relevant receivables and/or incur legal costs to enforce our rights. As of December 31, 2020, 2021 and 2022, our trade receivables amounted to RMB11.8 million, RMB33.2 million and RMB58.3 million, respectively. We also recorded impairment loss on trade receivables of nil, RMB0.6 million and RMB3.8 million, respectively. See Note 12 to the Accountants’ Report for an ageing analysis of our trade receivables. Our business, financial condition and results of operations may be materially and adversely affected if significant trade receivables are not settled on time, or at all.

***Our financial assets at fair value through profit or loss are subject to changes and the valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance.***

Historically, we made investments in certain financial assets. During the years ended December 31, 2020, 2021 and 2022, we recorded changes in fair value of financial assets at fair value through profit or loss of RMB151 thousand, RMB97 thousand and nil, respectively. Our financial assets at fair value through profit or loss represented wealth management products purchased from commercial banks in the PRC with variable interest and maturity period within one year as of the end of each of the reporting period. We cannot assure you that market conditions and regulatory environment will result in fair value gains on the wealth management products we invest in or we

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will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. Any failure to realise the benefits we expected from our financial assets may materially and adversely affect our business and financial results.

***We may not be able to fulfil our obligations in respect of contract liabilities, which may have a material and adverse impact on our results of operations and financial condition.***

Our contract liabilities primarily represent the advances received from value-added services of virtual item sales and membership subscription and advertising services. As of December 31, 2020, 2021 and 2022, our contract liabilities were RMB34.5 million, RMB63.4 million and RMB85.1 million, respectively. If we fail to fulfil our obligations under our contracts with our customers, we may not be able to convert such contract liabilities into revenue, which may adversely affect our cash flow and liquidity condition. In addition, failure to fulfill our contract liabilities may lead to user dissatisfaction and less inclined to prepay for our virtual items and membership subscription. As a result, our results of operations and financial position may be materially and adversely affected.

***Our rights to use our leased properties may be defective and could be challenged by governmental authorities, property owners or other third parties, which may disrupt our operations and incur relocation costs.***

As of the Latest Practicable Date, we leased premises occupying approximately 18,000 square meters in China, which are used as office space. Under the PRC laws and regulations, all lease agreements are required to be registered with the local land and real estate administration bureau. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As of Latest Practicable Date, we had not registered 9 of our leased properties used as office space with the relevant PRC government authorities. Although failure to do so does not in itself invalidate the leases, we may be subject to fines ranging from RMB9,000 to RMB90,000 if we fail to rectify such noncompliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. In the event that any of such fines is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. In addition, if our use of any leased properties is adversely affected as a result of challenges by governmental authorities, property owners or other third parties who have rights or interests in such leased properties, we may be involved in disputes, forced to relocate and incur additional expenses.

***We face risks related to natural and other disasters, including severe weather conditions or outbreaks of health epidemics, and other extraordinary events, which could significantly disrupt our operations.***

In addition to the impact of COVID-19, our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns affecting the PRC, and particularly Shanghai. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures, internet failures or other operation interruptions for us and our



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business partners, which could cause the loss or corruption of data or malfunction of software or hardware as well as adversely affect our ability and the ability of our business partners to conduct daily operations. Our business could also be adversely affected if employees of ours or our business partners are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general.

Our headquarters is located in Shanghai, China, where most of our directors and management and the majority of our employees currently reside. Most of our system hardware and the back-up systems supplied by third-party cloud service providers are hosted in facilities located in China. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect China, Shanghai in particular, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

### Risks Relating to Our Corporate Structure

*If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant 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.*

Foreign ownership in entities that provide internet and other related businesses, including the value-added telecommunication services and internet culture business, is subject to restrictions under current PRC laws and regulations, unless certain exceptions are available.

We are a Cayman Islands company and our PRC subsidiary is considered a foreign-invested enterprise. To ensure compliance with the PRC laws and regulations, we conduct our foreign investment-restricted business in China through Shanghai Soulgate Technology Co., Ltd., or our VIE, and our VIE currently holds the value-added telecommunication business license and other licenses which are necessary for our operation of such restricted business, based on a series of contractual arrangements by and among Shanghai Soul Information Technology Co., Ltd., or our WFOE, our VIE and/or its shareholder(s). These contractual agreements enable us to (i) exercise effective control over our VIE, (ii) receive substantially all of the economic benefits of our VIE, and (iii) have an exclusive call option to purchase all or part of the equity interests in our VIE when and to the extent permitted by PRC law. As a result of these contractual arrangements, we exert control over our VIE and consolidate financial results of our VIE in our financial statements under IFRS. See “History, Development, and Corporate Structure” for further details.

In the opinion of our PRC Legal Adviser, (i) the current ownership structure of our VIE and our WFOE in China is not in violation of mandatory provisions of applicable PRC laws and regulations currently in effect; and (ii) the agreements under the contractual arrangements among our WFOE, our VIE and its shareholders governed by PRC law are valid and binding upon each party to such agreements in accordance with their terms and do not result in violation of any applicable PRC laws and regulations currently in effect. However, we have been further advised by our PRC Legal

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Adviser that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Thus, the PRC government, regulatory authorities or courts may ultimately take a view contrary to the opinion of our PRC Legal Adviser. If the PRC government, regulatory authorities or courts otherwise find that we are in violation of any existing or future PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC government, regulatory authorities or courts would have broad discretion in dealing with such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of our PRC entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations, or imposing other requirements with which we or our VIE may not be able to comply;
- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenue;
- shutting down our servers or blocking our mobile app;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our VIE and deregistering the equity pledges of our VIE, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our VIE and its subsidiaries;
- restricting or prohibiting our use of the [REDACTED] from this [REDACTED] and the concurrent private placement or other of our financing activities to finance the business and operations of our VIE and its subsidiaries; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn have a material adverse effect on our business, financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of our VIE and its subsidiaries that most significantly impact their economic performance, and/or our failure to receive the economic benefits and residual returns from our VIE and its subsidiaries, and we are not able to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of our VIE and its subsidiaries in our consolidated financial statements in accordance with IFRS.

***The contractual arrangements with our VIE and its shareholders may not be as effective as direct ownership in providing operational control.***

We have to rely on the contractual arrangements with our VIE and its shareholders to operate the business in areas where foreign ownership is restricted, including provision of certain value-

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added telecommunication services. For description of these contractual arrangements, see “History, Development, and Corporate Structure.” These contractual arrangements, however, may not be as effective as direct ownership in providing us with control over our VIE. For example, our VIE and its shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of our VIE in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of our VIE in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by our VIE and its shareholders of their obligations under the contracts to exercise control over our VIE. The shareholders of our VIE may not act in the best interests of our company or may not perform their obligations under these contracts. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See “—Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.”

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.

***Any failure by our VIE or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.***

If our VIE or its shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the shareholders of our VIE were to refuse to transfer their equity interests in our VIE to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations. In addition, if any third parties claim any interest in such shareholders’ equity interests in our VIE, our ability to exercise shareholders’ rights or foreclose the share pledge according to the contractual arrangements may be impaired. If these or other disputes between the shareholders of our VIE and third parties were to impair our control over our VIE, our ability to consolidate the financial results of our VIE would be affected, which would in turn result in a material adverse effect on our business, operations and financial condition.

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All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. We face uncertainties in the enforcement of these contractual arrangements. See “Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.” There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our VIE, and our ability to conduct our business may be negatively affected.

***The shareholders of our VIE may have actual or potential conflicts of interest with us.***

Our founder, chairwoman and chief executive officer, Ms. Lu Zhang, is a shareholder of our company and holds 83.98% of the equity interest in our VIE. Mingjun Capital Limited, J&M Capital Limited, Ventek Limited and MFUND, L.P. are also shareholders of our company, and their respective PRC investment vehicles hold 4.87%, 4.78%, 3.54% and 2.83% of the equity interest in our VIE, respectively. These shareholders of our VIE may have actual or potential conflicts of interest with us. These shareholders may breach, or cause our VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and our VIE, which would have a material and adverse effect on our ability to effectively control our VIE and receive economic benefits from it. For example, the shareholders may be able to cause our agreements with our VIE to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the exclusive call option agreements with these shareholders to request them to transfer all of their equity interests in our VIE to a PRC entity or individual designated by us, to the extent permitted by PRC law. We cannot assure you that such method, or any other methods that we may explore, will be effective in resolving the potential conflicts of interest between these shareholders and our company. In addition, we rely on Ms. Lu Zhang to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The shareholders of our VIE have executed powers of attorney to appoint our WFOE to vote on their behalf and exercise voting rights as shareholders of our VIE. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our VIE, we would have to rely on

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legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

The shareholders of our VIE may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in our VIE and the validity or enforceability of our contractual arrangements with our VIE and its shareholders. For example, in the event that Ms. Lu Zhang divorces her spouse, the spouse may claim that the equity interest of our VIE held by such shareholder is part of their community property and should be divided between such shareholder and her spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder’s spouse or another third party who is not subject to obligations under our contractual arrangements, which could result in a loss of the effective control over our VIE by us. Similarly, if any of the equity interests of our VIE is inherited by a third party with whom the current contractual arrangements are not binding, we could lose our control over our VIE or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

Although under our current contractual arrangements, (i) Ms. Lu Zhang’s spouse has executed a spousal consent letter under which the spouse agrees not to assert any rights over the equity interest in our VIE held by Ms. Lu Zhang, and (ii) our VIE and/or its shareholders cannot assign any of their respective rights or obligations to any third party without the prior written consent of our WFOE, we cannot assure you that these undertakings and arrangements will be complied with or effectively enforced. In the case any of them is breached or becomes unenforceable and leads to legal proceedings, it could disrupt our business, distract our management’s attention and subject us to substantial uncertainties as to the outcome of any such legal proceedings.

***Contractual arrangements in relation to our VIE may be subject to scrutiny by the PRC tax authorities and they may determine that we or our VIE owes additional taxes, which could negatively affect our financial condition and the value of your investment.***

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements in relation to our VIE were not entered into on an arm’s length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust the taxable income of our VIE in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by our VIE for PRC tax purposes, which could in turn increase its tax liabilities without reducing our PRC subsidiary’s tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on our VIE for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our VIE’s tax liabilities increase or if it is required to pay late payment fees and other penalties.

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*Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.*

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or FIL, which took effect on January 1, 2020. The State Council approved the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), or the Implementation Regulations, on December 26, 2019, which took effect on January 1, 2020, and it replaced the trio of then existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》), and the Wholly Foreign-invested Enterprise Law (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The Supreme People’s Court of China issued a judicial interpretation on the FIL in December 2019, effective from January 1, 2020, to ensure fair and efficient implementation of the FIL. The judicial interpretation clarifies the issues regarding the validity of the investment contract violating the restrictive or prohibitive requirements in the negative list. According to the judicial interpretation, courts in China shall not, among other things, support contracted parties to claim foreign investment contracts in sectors not on the negative list as void by reason of the contracts have not been approved or registered by administrative authorities. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it is difficult to predict the outcome of a judicial or administrative proceeding, and such unpredictability towards our contractual rights could adversely affect our business and impede our ability to continue our operations. The FIL and Implementation Regulations embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The FIL removes all references to the terms of “de facto control” or “contractual control” as defined in the draft published in 2015 by the MOFCOM. However, the FIL has a catch-all provision under the definition of “foreign investment” which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, the State Council may in the future promulgate laws and regulations that deem investments made by foreign investors through contractual arrangements as “foreign investment,” and our contractual arrangements may be subject to and be deemed to violate the market entry requirements in China. The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “Contractual Arrangements.”

In addition, the FIL further specifies that foreign investments shall be conducted in line with the “negative list” to be issued or approved to be issued by the State Council. Among others, commercial internet information service, online cultural activities (except for music), and the production of electronic publications conducted through consolidated affiliated entities are subject to



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foreign investment restrictions set forth in the negative list. If the then updated “negative list” requires companies with existing VIE structure like us to take further actions, we will face uncertainties as to whether any clearance from the relevant governmental authorities can be timely obtained, or at all. If our control over our VIE through contractual arrangements are deemed as foreign investment in the future, and any business of our VIE 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 FIL, the contractual arrangements that allow us to have control over our VIE 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 have a material adverse effect on our business operation.

***We may lose the ability to use and enjoy assets held by our VIE that are critical to the operation of our business if our VIE declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.***

Our VIE holds certain assets that may be critical to the operation of our business. If the shareholders of our VIE breach the contractual arrangements and voluntarily liquidate our VIE, or if our VIE 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 continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. In addition, if our VIE undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets, thereby hindering our ability to operate our business, which could materially or adversely affect our business, financial condition and results of operations.

### **Risks Relating to Doing Business in China**

***Changes in China’s economic, political or social conditions or government policies could have a material and adverse effect on our business and results of operations.***

Our operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform and the establishment of improved corporate governance in business enterprises, a portion of productive assets in China are still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China’s economic growth through allocating resources, setting monetary and fiscal policy.

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While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The mobile social networking industry is highly sensitive to general economic changes. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to a reduction in demand for our services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. The growth rate of the Chinese economy has gradually slowed since 2010, and the impact of COVID-19 on the global and Chinese economy since 2020 is severe. Any prolonged slowdown in the global and Chinese economy may reduce the demand for our services and materially and adversely affect our business and results of operations.

***Uncertainties with respect to the PRC legal system could adversely affect us.***

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

Our WFOE is a foreign-invested enterprise and is subject to laws and regulations applicable to foreign-invested enterprises, and our WFOE and our VIE and its subsidiaries are also subject to various Chinese laws and regulations generally applicable to companies incorporated in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published or not on a timely basis. As a result, we may not be aware of our potential violation of these policies and rules. In addition, certain administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

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*The approval of the China Securities Regulatory Commission or other PRC government authorities may be required in connection with this [REDACTED] and our future capital raising activities under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval.*

The M&A Rules require the offshore special purpose vehicle that is controlled by PRC companies or individuals formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies of the aforementioned PRC companies or individuals using shares of such special purpose vehicle or shares held by its shareholders as a consideration to obtain CSRC approval prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and this [REDACTED] may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, such CSRC approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for this [REDACTED] if such approval is required, or a rescission of such CSRC approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in the PRC, restrictions or limitations on our ability to pay dividends outside of the PRC, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Adviser has advised us that, based on its understanding of the PRC laws and regulations currently in effect, such CSRC approval will not be required for this [REDACTED] given that we do not constitute the “special purpose vehicle” to which the aforementioned provisions of the M&A Rules are applicable. However, our PRC Legal Adviser further advised that there is uncertainty as to how the M&A Rules will be interpreted or implemented, and new rules or regulations promulgated in the future may impose additional requirement on us. If it is determined that the CSRC approval is required for this [REDACTED], we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities.

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council of the PRC promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) which call for the enhanced administration and supervision of offshore-listed China-based companies (中概股公司). The Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law propose to revise the relevant regulation governing the issuance and listing of shares by companies outside of mainland China and clarify the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC released the Trial Measures, which together with relevant supporting guidelines thereof, will become effective on the Implementation Date. The Trial Measures stipulate that domestic companies that seek to offer and list securities overseas, both directly and indirectly, shall complete the filing procedures and report relevant information to the CSRC. The Trial Measures also provide that if the issuer meets both of the following criteria, the

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overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering and listing of securities subject to the filing requirements set forth under the Trial Measures: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as reported in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the primary parts of the issuer’s business activities are conducted in mainland China, or its main places of business are located in mainland China, or the majority of its senior management staff in charge of its business operation and management are PRC citizens or have their usual places of residence located in mainland China. On the same day, the CSRC released the Notice on the Arrangements of the Filing Management for Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which stipulates that, as of the Implementation Date, domestic companies that had submitted valid overseas offering and listing applications but had not obtained approval from overseas regulatory authorities or overseas stock exchanges, could reasonably arrange the timing for submitting filing applications to the CSRC, and shall complete such filing prior to their overseas offering and listing.

If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for this [REDACTED] or future capital raising activities, we may fail to obtain such approval, complete such filing or meet such requirements in a timely manner or at all, or completion could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such procedures for this [REDACTED] or future capital raising activities, or a rescission of any such approval obtained or procedure completed by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our ability to pay dividends outside of the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the [REDACTED] from this [REDACTED] or future capital raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as this [REDACTED].

The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this [REDACTED] or future capital raising activities before settlement and delivery of the shares [REDACTED] hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this [REDACTED] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the [REDACTED] of the shares.

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*We may rely on dividends and other distributions on equity paid by our PRC subsidiary to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business.*

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiary for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. Current PRC regulations permit our PRC subsidiary to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiary is required to set aside at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. For a detailed discussion of applicable PRC regulations governing distribution of dividends, see “Regulatory Overview—Regulations Relating to Dividend Distributions.” Additionally, if our PRC subsidiary incurs debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. Any limitation on the ability of our PRC subsidiary 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.

To address the persistent capital outflow and the Renminbi’s depreciation against the U.S. dollar in the fourth quarter of 2016, the People’s Bank of China and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures in the subsequent months, including stricter vetting procedures for mainland China-based companies to remit foreign currency for acquisitions outside of mainland China, dividend payments, and shareholder loan repayments. For instance, the Circular of the SAFE on Further Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), or the SAFE Circular 3, issued on January 26, 2017, provides that the banks shall, when dealing with dividend remittance transactions from domestic enterprise to its offshore shareholders of more than US\$50,000 or its equivalent, review the relevant board resolutions and other supporting documents of such domestic enterprise based on the principal of genuine transaction. The PRC government may continue to strengthen its capital controls and our PRC subsidiary’s dividends and other distributions may be subject to tightened scrutiny in the future. Any limitation on the ability of our PRC subsidiary 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.

In addition, the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless reduced under other exceptions such as treaties or arrangements between the PRC central government and governments of

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other countries or regions where the non-PRC resident enterprises are tax resident. See “—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.”

***Increases in labor costs and enforcement of stricter labor laws and regulations in China may adversely affect our business and our profitability.***

China’s overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to those who pay for our services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law (《中華人民共和國勞動合同法》) and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee’s probation and unilaterally terminating labor contracts. In addition, enterprises 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 the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

We occasionally engage independent third-party service providers to recruit qualified personnel for certain operating functions such as customer support and technology maintenance at our request and settle payment of service fees to such third-party service providers. But we cannot preclude the possibility that these workers supplied by third-party service providers may be classified as “dispatched workers” by courts, arbitration tribunals or government agencies. In December 2012, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) was amended and in January 2014, the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) was promulgated, to impose more stringent requirements on the use of “dispatched workers.” For example, the number of dispatched workers may not exceed a certain percentage of the total number of employees and dispatched workers, and the dispatched workers can only engage in temporary, auxiliary or substitutable work. However, since the application and interpretation of the PRC Labor Contract Law (《中華人民共和國勞動合同法》) and the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) are limited and uncertain, we cannot assure you our business operation will be deemed to be in full compliance with them. If we are found to be in violation of any requirements under the PRC Labor Contract Law (《中華人民共和國勞動合同法》), the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) or their related rules and regulations, we may be ordered by the labor authority to rectify the



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noncompliance by means such as entering into written employment contracts with such “dispatched workers,” or be subject to regulatory penalty, other sanction or liability or be subject to labor disputes.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations will be adversely affected.

***Our business may be negatively affected by the potential obligations to make additional social insurance and housing fund contributions.***

We are required by PRC labor laws and regulations to pay various statutory employee benefits, including pensions insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing fund, to designated government agencies for the benefit of our employees. Companies registered and operating in China are required under the PRC Social Insurance Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Funds (《住房公積金管理條例》) to apply for social insurance registration and housing fund deposit registration within 30 days of their establishment and to pay for their employees different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to the extent required by law. During the Track Record Period, we had not made social insurance and housing fund contributions for some of our employees in full in accordance with the relevant PRC laws and regulations. In 2020, 2021 and 2022, the total amount of the unpaid social insurance and housing fund contributions was approximately RMB0.13 million, nil and nil, respectively. We could be subject to orders by the competent labor authorities for rectification and failure to comply with the orders may further subject us to administrative fines. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. We engage third-party human resources agencies to pay social insurance and housing funds for some of our employees. Any failure to make such contribution by these third-party agents may directly expose us to penalties imposed by the local authorities and/or legal claims raised by our employees. As of the Latest Practicable Date, we had not received any notice from the relevant government authorities or any claim or request from these employees in this regard. However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If the relevant PRC authorities determine that we shall make supplemental social insurance and housing fund contributions or that we are subject to fines and legal sanctions in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

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*Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your [REDACTED].*

The conversion of Renminbi into foreign currencies, including Hong Kong dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the Hong Kong dollar, at times significantly and unpredictably. The value of Renminbi against the Hong Kong dollar 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 the Hong Kong dollar in the future. It is difficult to predict how market forces or PRC government policy may impact the exchange rate between Renminbi and Hong Kong dollar in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenue, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, to the extent that we need to convert the Hong Kong dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against the Hong Kong dollar may significantly reduce the Hong Kong dollar equivalent of our earnings, which in turn could adversely affect the [REDACTED] of our Shares.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into 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 have a material adverse effect on your [REDACTED].

During the Track Record Period, substantially all of our revenue and expenditures were denominated in Renminbi, while the net [REDACTED] from the [REDACTED] will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our subsidiaries. In addition, appreciation or depreciation in the value of Renminbi relative to Hong Kong dollars would affect our financial results in Hong Kong dollar terms without giving effect to any underlying change in our business or results of operations. We recorded exchange differences on translation of financial statements of foreign operations of RMB571.7 million in adjustment gain, RMB196.9 million in adjustment gain and RMB864.5 million in adjustment loss in 2020, 2021 and 2022, respectively, as other comprehensive income or loss in our consolidated statements of profit or loss and comprehensive loss which is primarily a result of

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translation of financial statements of the companies within the Group into the presentation currency of the Group, which is RMB.

*PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the [REDACTED] of this [REDACTED] to make loans or additional capital contributions to our PRC subsidiary, our VIE and its subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.*

We are an offshore holding company conducting our operations in China through our PRC subsidiary, our VIE and its subsidiaries. We may make loans to our PRC subsidiary, our VIE and its subsidiaries subject to the approval from or registration with governmental authorities and limitation on amount, or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China.

Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises, or FIEs, under PRC law, are subject to applicable foreign exchange loan registrations. In addition, an FIE shall use its capital pursuant to the principle of authenticity and self-use within its business scope.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, effective from June 2015 and last amended in December 2019. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans (unless otherwise permitted in the business license), the repayment of inter-enterprise loans or the repayment of bank loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. In addition, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such relevant capital to issue loans to non-associated enterprises (unless otherwise permitted in the business license). Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular May 16, significantly limit our ability to transfer any foreign currency we hold, including the net [REDACTED] from this [REDACTED]

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and the concurrent private placement, to our PRC subsidiary, which may adversely affect our liquidity and our ability to fund and expand our business in China. On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans by us to our PRC subsidiary or our VIE or its subsidiaries or with respect to future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the [REDACTED] from our [REDACTED] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

***Governmental control of currency conversion may limit our ability to utilize our revenue effectively and affect the value of your [REDACTED].***

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in RMB. Under our current corporate structure, our company in the Cayman Islands may rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our wholly foreign-owned subsidiaries in China are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation. But approval from or registration with appropriate government authorities or delegated banks is required where RMB 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 also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Shares.

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*PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiary’s ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.*

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicle (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC institutions as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purposes) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment under SAFE Circular 37 starting from June 1, 2015.

We have used our best efforts to notify PRC residents or entities who directly or indirectly hold shares in our Cayman Islands holding company and who are known to us as being PRC residents or entities to complete the foreign exchange registrations. We have been notified that Ms. Lu Zhang has completed her initial SAFE registration as required by SAFE Circular 37. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our shareholders or beneficial owners to comply with SAFE registration requirements. We cannot assure you that all shareholders or beneficial owners of ours who are PRC residents or entities have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, SAFE regulations.

The failure or inability of such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations, could subject us to fines or legal sanctions, restrict our cross-border investment activities or investment activities outside of mainland China, limit our PRC subsidiary’s ability to make distributions or pay dividends to us or affect our ownership structure. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

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

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time consuming and complex. In addition to the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) itself, these include the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and last 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 (《商務部實施外國投資者併購境內企業安全審查制度的規定》), or the Security Review Rules, promulgated in 2011. These laws and regulations impose requirements in some instances that the Ministry of Commerce of the People’s Republic of China, or MOFCOM, be notified in advance of relevant change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) requires that relevant anti-monopoly enforcement agencies be notified in advance of any concentration of undertaking if certain thresholds are triggered. Moreover, the Security Review Rules specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by MOFCOM, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

Shareholder claims or regulatory investigations that are common in common law jurisdictions (including securities law class actions and fraud claims) generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there exist legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Furthermore, according to Article 177 of the PRC Securities Law (《中華人民共和國證券法》), or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the PRC and no entities or individuals may provide documents or materials in connection with securities activities without proper authorization as stipulated under Article 177. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigations or collect evidence within China may lead to uncertainties in protecting your rights.



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

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration. Our directors, executive officers and other employees who are PRC residents and who have been granted share-based awards may follow SAFE Circular 37 to apply for the foreign exchange registration before our Company becomes an overseas listed company. In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or SAFE Circular 7. Under SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share-based awards, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted share-based awards will be subject to SAFE Circular 7 and other relevant rules and regulations upon the completion of the [REDACTED]. Failure of our PRC share-based award holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary’s ability to distribute dividends to us, or otherwise materially adversely affect our business.

In addition, the State Administration of Taxation, or the SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

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*If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.*

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation rules, an enterprise established outside of the PRC with its “de facto management body” within the PRC is considered a PRC resident enterprise and will be subject to the PRC enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise. In 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, but not to those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational senior management and corresponding department where they perform their duties is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. 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.” If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, any dividends or gains realized on the sale or other disposition of our Shares may be subject to PRC tax, generally at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (which in the case of dividends would be withheld at source by us) (in each case, subject to the provisions of any applicable tax treaty) if such dividends or gains are deemed to be from PRC sources. Any PRC tax liability may be reduced under applicable income tax treaties. However, it is unclear whether non-PRC shareholders of our company would be able to obtain in practice the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [REDACTED] in our Shares.

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In addition to the uncertainty as to the application of the “resident enterprise” classification, we cannot assure you that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements or higher tax rates. Any of such changes could materially and adversely affect our financial condition and results of operations.

***We may not be able to obtain certain benefits under relevant tax treaty on dividends paid by our PRC subsidiary to us through our Hong Kong subsidiary.***

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiary to satisfy part of our liquidity requirements. Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), a withholding tax rate of 10% currently applies to dividends paid by a PRC “resident enterprise” to a foreign enterprise investor, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), such withholding tax rate may be lowered to 5% if relevant requirements under such tax arrangement could be satisfied. See “Financial Information—Taxation.” In the future, we intend to re-invest all earnings, if any, generated from our PRC subsidiary for the operation and expansion of our business in China. Should our tax policy change to allow for offshore distribution of our earnings, we would be subject to a significant withholding tax. We cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant tax authority or we will be able to complete the necessary filings with the relevant tax authority and enjoy the preferential withholding tax rate of 5% under the arrangement with respect to dividends to be paid by our PRC subsidiary to our Hong Kong subsidiary.

***We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.***

In February 2015, SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告), or SAT Public Notice 7. SAT Public Notice 7 extends its tax jurisdiction to not only indirect transfers but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, SAT Public Notice 7 provides certain criteria on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle,

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the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. On October 17, 2017, SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (關於非居民企業所得稅源泉扣繳有關問題的公告), or SAT Bulletin 37, which came into effect on December 1, 2017 and amended on June 15, 2018. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of nonresident enterprise income tax.

We face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by [REDACTED] that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiary to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under SAT Public Notice 7 and SAT Bulletin 37, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

***If the custodians or authorized users of controlling non-tangible assets of our company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.***

Under PRC law, legal documents for corporate transactions are executed using the chops or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the Administration for Market Regulation. Although we usually utilize chops to enter into contracts, the designated legal representatives of our WFOE, our VIE and its subsidiaries have the apparent authority to enter into contracts on behalf of these entities without chops and bind the entities. The designated legal representatives of our PRC entities have signed employment agreements with us or relevant PRC entities under which they agree to abide by various duties. In order to maintain the physical security of our chops and chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel in the administrative department of each of our subsidiaries. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over our PRC entities, we or our PRC entities would need to pass a new shareholder or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or

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otherwise seek legal redress for the violation of the representative’s fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entities may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

**[REDACTED]**

## **RISK FACTORS**

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[REDACTED]



## **RISK FACTORS**

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[REDACTED]